THE MAGAZINE OF WALL STREET

A FEARLESS, FORWARD-LOOKING, FINANCIAL FORTNIGHTLY

Vol. Sixteen SEPTEMBER 18, 1915 No. Eleven

THE OUTLOOK

Some Factors Beneath the Surface of Current Financial Events

The Paradox of Interest Rates

WITH a gigantic bank surplus at New York, a big excess of deposits over loans, an almost unlimited possibility of loan expansion throughout the country as a result of the new Federal Reserve system, and very low rates for call money and commercial paper, the bond market nevertheless continues to sag, most standard stocks not affected by war orders are still at relatively low prices compared with their dividend rates, and new financing is so difficult that it is not undertaken except when absolutely necessary.

Look at the figures: Surplus reserves of New York clearing house institutions $224,000,000; excess of deposits over loans $147,000,000—in spite of the fact that the new banking system naturally tends toward increased loans as compared with deposits; call money 1¾ to 2 per cent; commercial paper 3 to 3¼ per cent.

Yet with these phenomenally easy money conditions, the normal yield on high-grade bonds is now about 5 per cent. Running through the bond list, we find the following bonds selling at or near par: Atchison 5s, Bethlehem Steel 5s, Canada Southern 5s, Chesapeake & Ohio 5s, Chicago Gas Light & Coke first 5s, Chicago & Northwestern debenture 5s, General Electric debentures 5s, Louisville & Nashville collateral trust 5s, New York Central equipment 5s, Western Electric 5s, etc.—all perfectly sound bonds, yet yielding 5 per cent when six months commercial paper yields only a shade over 3 per cent.

And of course the disparity between interest rates and the yield on the best railroad stocks is still greater. At current prices Pennsylvania yields 5½ per cent., Atchison 6, Union Pacific 6¼, Northern Pacific 6½, etc.

Timidity of Capital

THE question simmers down to this: Why does the investor prefer to put his idle money in a trust company at 2 per cent or into commercial paper at 3¼ per cent. rather than into the best bonds at 5 per cent. or good stocks at 6 per cent? Manifestly he is losing money, so far as the present is concerned, by his choice. Why does he prefer to accept a smaller income instead of buying sound investment bonds or stocks?

Without doubt the answer is to be found, in most cases, in the uncertainties resulting from the war—though political antagonism toward great corporations is not without influence, especially in the case of some of our biggest capitalists.

The investor sees, for example, a deputation of eminent European bankers arriving at New York with the avowed purpose of borrowing $1,000,000,000 from the American people on the strongest security Europe can possibly give and at a rate certainly not below 5 per cent., perhaps 5½. He sees European capital poured out like water merely for the purpose of destroying other capital—in the form of lives and property—and as yet he is able to see no end to this process of wholesale destruction. He naturally reasons that under such conditions capital is likely to cost more before it costs less—interest rates are likely to be higher before they are lower. A decline of two points a year on a 5 per cent. bond reduces the interest rate to 3 per cent. Hence he waits. For a decline of two points in a bond is not much and it is still less in a stock.

Other investors, fewer in number but important in resources, ask themselves whether American railroads are to be permitted by the Government control now so closely exercised over them, to earn reasonable profits; and whether great American corporations are still to be made the object of legal attacks which will interfere with their earning power. Here again, it costs less to wait than to make a mistake.

General Business Grows But Slowly

IT is largely because of this unwillingness of investors to put their money into enterprises, new or old, that the business of the country as a whole is growing but slowly. The activity of speculation in war order stocks has swelled the bank clearings of New York City. But when we turn to the banks outside of New York, we find no growth since 1912, in spite of two factors which should normally result in growth: (1) the increase of population, and (2) the much higher range of general commodity prices.

The first factor is clear—more people should make more business, should exchange more goods, and therefore should pass more checks through the banks. The second factor is not so well understood but is even more effective. Average prices of goods exchanged in the United States have been about 9 per cent. higher this summer than they were in the summer of 1913. Hence bank clearings should be about 9 per cent. greater for the same quantity (not value in dollars) of goods exchanged. But bank clearings outside New York in the summer of 1915 were only a little over 1 per cent. greater than in 1913.

Allowing for these two factors we find that the actual quantity of goods exchanged has been, in proportion to population, nearly ten per cent smaller than in the summer of 1913—and business was considered dull in 1913.

Such facts as these have been glossed over by the speculative enthusiasm of the Street, but it is undeniable that so far the return of prosperity has been mostly confined to those lines directly affected by war orders.

Peculiar Iron Situation

IN a situation so full of anomalies it is perhaps not very surprising to find the price of iron advancing rapidly while only about two-thirds of the merchant furnace capacity of the country is in operation. This statement will surprise the average newspaper reader, who has been continually bombarded with the most enthusiastic reports from the steel companies.

But the present demand is chiefly for steel, because steel is what is needed for war orders. The export demand is heavy and increasing and the steel mills, operating at capacity, have actual specifications on hand for about six or seven weeks rolling. Merchant bar mills, wire departments and tin plate mills are all operating practically at capacity, but other finishing departments do not average more than 75 to 80 per cent. of capacity.

It is evident that the price of iron cannot advance much further unless the merchant furnaces become more fully employed. It would take a considerable rise in the price of iron to bring all the merchant furnaces in, since some of them operate at a disadvantage and cannot make a profit except at high prices; but even at present figures more than two-thirds of them should normally be working. Apparently some of them fear that the present large export demand may prove temporary and therefore hesitate to start up.

On the whole, however, prospects in the steel and iron trade are very encouraging, and should continue to exercise a bullish influence on the securities of companies representing that business.

The Stock Market

A SHARP falling off in outside speculative interest is the principal feature of the current market. Buyers on margin, who are trying to participate in the big profits resulting from the war business which has flowed to our shores in such quantity, are now carrying a great deal of stock in the aggregate and their immediate requirements seem to have been satisfied.

The possibility of further complications with Germany has also exercised a restrictive influence. We doubt if even the actual severing of diplomatic relations would have a permanently bearish effect, but the immediate result would naturally be a sharp decline until investors could again get their bearings.

It does not seem to us that conditions warrant any further advance in the general level of prices at this time. If both rails and industrials be included, prices are now nearly up to the high level of 1912. The rails, of course, are much lower than in the fall of 1912, but the industrials average even higher. Business in general is far less active than it was late in 1912. At that time activity was well distributed while now it is confined to certain channels only.

We are inclined to expect that the market will have to pass through a reactionary and digestive period, until it can be more definitely determined how much of this year's advance is warranted by actual conditions and how much has been due to speculative enthusiasm.

BONDS OR MORTGAGES ?

By T. S. McGRATH,
Author of "Timber Bonds," Etc.

What is a bond? What is a mortgage? Shall I buy a bond or a mortgage? Which of them is the safer? Which of them will return me the larger income on my money? Which of them has the better chance of increasing in value after I purchase it? Which of them, in case of emergency, can I sell quickly and convert into cash at a small cost?

What a Bond Is

A BOND is a small part of a large mortgage. The share of the large mortgage owned by the bondholder is evidenced by a written or engraved document showing the amount of the large mortgage it represents. Thus a bond may be for one hundred dollars, five hundred dollars or one thousand dollars. In either case, the amount of the bond will be shown on its face. This amount has no effect on the safety of the investment, as bonds in denominations of one hundred dollars may be fully as well secured as those in amounts of one thousand dollars and both may be parts of the same mortgage.

Origin of the Trust Deed

As the different bond holders all have an equal claim on the property which secures the loan, it is apparent that the mortgage on the property cannot be delivered to any one of them. The mortgage is, therefore, made to a third party, called a Trustee, who holds it in trust for the benefit of all the bond holders and who exercises general supervision over the property during the life of the mortgage. The placing of the mortgage in the hands of a Trustee has caused such mortgages to be called Trust Deeds, as they deed the property, in Trust to the Trustee. If the terms of the Trust Deed are complied with, the property is turned back to the mortgagors at the expiration and payment of the loan; if the terms of the mortgage are not complied with, the Trustee acts as arranged for in the body of the Trust Deed.

In a real estate mortgage the transaction is between two people—the borrower and the lender. It is a lien on real property and any improvements thereon. A real estate mortgage is really a deed to the property it describes, but it does not convey the property to the lender unless the borrower fails to pay the amount of the principal and interest it secures. In case the loan is not paid, it is supposed to allow the lender to take possession of the property, but this works nicer in theory than in practice.

Before the property can be possessed there are many and formidable legal steps that must be taken and every one of them is costly and troublesome and every one of them when paid for reduces the net returns from the sale of the property and thus deplete the security under the mortgage.

Which Is the Safer Investment?

Whether a bond or a real estate mortgage is the safer investment is a greatly discussed question and one that is differently answered by many people. Under the subject of safety is contemplated the certainty of payment of both principal and interest, when and as they fall due. This depends largely on the value of the property under the mortgage and the honesty and ability of the borrowers.

A bond issue is usually put out by a large corporation which has a great amount of money invested in the business in addition to that procured from

the sale of bonds. An example of this class of corporation is any one of the great railway companies of the country, with their vast investments in rights of way, railroads, stations, terminals, yards and real and personal property of all kinds. The equities in such properties that must be destroyed before the bonds are hurt is easily gauged by noting in the papers the price at which the stock of the road under consideration is selling. All the stock and junior liens would have to be completely wiped out before the owner of a prior lien bond would be injured.

The interest on bonds is promptly paid when it falls due and is easily collected by handing the coupons to your bank which will credit you with the amount. There is never any delay in the payment of interest on bonds that are in good standing and there is no trouble collecting it. The safety of interest and principal is highly protected in the purchase of good bonds.

Loan Value of Real Estate

In a real estate mortgage the safety of the principal is provided for in the margin between the appraised value of the property and the amount loaned. This margin is termed the equity. The amount loaned will depend on the value of the property, this is determined by the earning power, which in turn depends on the location and uses of the property. The honesty and ability of the borrower must also be taken into account as additional security for the principal and as the chief security for the prompt and satisfactory payment of the interest as it falls due.

Real estate mortgages are very difficult things to properly appraise and the constant changes that take place in towns and cities render it exceedingly dangerous to deal in them unless under the guidance of the most expert specialists. Even these cannot foretell changes that may take place at any time in the future. The best they can do is to note the present trend of trade and residence districts. The building of a new car line, a new bridge, a new subway, the erection of a factory, the paving of a street or the happening of any one of a number of possible occurrences that no one can foretell may quickly change a very desirable district into an undesirable one and rapidly reduce the value of the property in that district.

Foreclosure of Mortgage

Under these circumstances, it very often happens that the lender has to foreclose and take over property that he cannot sell at any price or cannot sell at a high enough price to pay his loan and interest, with the cost of foreclosure proceedings. When a lender takes over such property he immediately has to commence figuring on carrying charges such as taxes, assessments, repairs, caretaking and insurance. Often it is difficult to rent the property and it stands vacant and unproductive for long terms—a dead load and source of constant loss and worry.

Another disagreeable feature of real estate mortgages is the personal element that enters into the collection of the principal when the borrower is slow to pay and does not want to permit a foreclosure. This element is entirely eliminated in the foreclosure of a bond issue when such a sad thing has to take place.

The safety of the interest under a real estate mortgage is as great as that of the principal, but the collection of it may be a difficult and disagreeable task. The borrower may have a bad memory, be a chronic time taker or always out of funds when the interest date comes around. This costs the lender considerable in the way of trouble and time. Time is worth money and its expenditure should be charged against the investment and deducted from the net return on the loan.

Income Compared

Income is the most important question many people have to answer and they want to invest in the safest securities that will give them the highest income. There has been a continuous discussion as to whether the return on real estate mortgages or corporation bonds is the greater.

Many confuse the comparison of the return on bonds and mortgages by using bonds for this purpose that are listed on the Stock Exchange and can be sold any time at a moment's notice. Such bonds have a very low yield on the price they

cost and are not a fair comparison. The bond to be compared with a mortgage, is one that has as good security as the mortgage under comparison and that can be marketed as quickly as the real estate mortgage.

When bonds and mortgages are compared for return on the investment, in a fair way, there is no question about the bond yielding the larger net return. A mortgage investment cannot be compared with bonds as a class, but must be judged in competition with a bond of a particular class. It would be eminently unfair to compare a mortgage and a U. S. Government bond as to yield as well as it is unfair to compare mortgages with bonds that can be turned into money at any minute of the business day, at a cost of one-eighth of one per cent.

Marketability

In case of need, can a bond or a mortgage be the more readily converted into cash? This is an important matter for some investors, but one that is not given careful attention by a number of them until the emergency arises.

Bonds being the obligations of corporations whose affairs are easily investigated, can be valued more readily than mortgages which always call for expert appraisal. Mortgages being in denominations of several thousand dollars are often difficult to dispose of by finding the person with the exact amount of money to invest and the commissions and expenses attendant on the sale of a mortgage is quite heavy. Bonds being in small denominations, of the even amounts of one hundred, five hundred and one thousand dollars, find ready buyers and cost very little to dispose of.

Collateral Values

Commercial banks, trust companies, savings banks and other institutions and individuals will loan money when the note is secured by bonds as collateral. Commercial banks will not loan on mortgages, nor will certain individuals or institutions owing to the trouble and expense of appraisals, examination of titles at time of purchase and sale of mortgages, and the heavy commissions involved.

Either through sale or hypothecation, bonds are more readily converted into cash than mortgages. Bonds can be sold or used as collateral in practically any part of the country. Mortgages will rarely be taken by banks or individuals outside of the territory in which they are made and where the property they cover is known to the taker.

Conclusion

To sum up: Mortgages and bonds of the same class are about equal as to safety of principal, with the difference that exists being in favor of bonds. Mortgages do not return as high a yield as bonds of the same class. Bonds are less troublesome than mortgages in every way. There is no trouble about collecting the interest on bonds while serious trouble is often encountered in collecting the interest on mortgages. Bonds are more readily converted into cash and are easier to sell than mortgages.

Market Statistics

	Dow Jones Averages		50 Stocks			Breadth
	12 Inds.	20 Rails.	High.	Low.	Total Sales.	(No. issues)
Monday, August 30	78.76	77.28	98.90	94.03	811,900	172
Tuesday, " 31	78.11	77.01	98.64	94.08	602,900	172
Wednesday, September 1	78.11	76.71	100.85	93.91	678,300	175
Thursday, " 2	100.35	93.49	78.49	77.11	656,800	178
Friday, " 3	100.12	94.10	78.07	76.73	493,800	177
Saturday, " 4	100.41	94.95	77.96	77.39	197,600	153
Tuesday, " 7	100.88	95.01	78.39	77.18	372,700	153
Wednesday, " 8	101.38	94.89	78.53	77.41	426,100	151
Thursday, " 9	102.16	95.33	79.56	78.22	590,700	182
Friday, " 10	101.76	95.00	79.59	78.12	540,100	186
Saturday, " 11	100.68	94.61	78.09	77.59	229,900	135

The Case of Copper

Will Consumption Continue to Exceed Production? Facts Which the Investor in Copper Stocks Must Consider

By BARNARD POWERS

WILL COPPER METAL sell higher? Speculative Wall Street says it will. But that is no guarantee for speculative Wall Street has been known to be wrong before on copper. No less a financial genius than the late Henry H. Rogers, in the memorable spring of 1907 predicted new high price pinnacles for the red metal, although it then had reached the startling figure of 25c. a pound. Mr. Rogers even went so far as to say that 20 cents a pound would be the average price for copper from that time on. Unusual conditions had temporarily warped his normally sound judgment. His error cost him many millions. It is a fundamental law that reaction in the end equals action. What goes up, must come down, unless that which causes the rise is in the nature of permanently changed conditions. The investor or speculator who disregards the laws of action and reaction, which is another way of saying demand and supply, is apt to pay heavily for his negligence.

Holders of copper securities are asking whether the price of 20 cents a pound for electrolytic, reached last June, represents the "peak" of the present upswing of copper metal. An examination of the causes which led to that high price may prove illuminating.

When the great nations of Europe wheeled their armies into battle array and the Stock Exchange closed its doors on the fateful 31st of July, 1914, a cold chill ran through the copper trade. Every producer foresaw ruin, or at least a tremendous contraction in copper demand which would prove a test of endurance that only the biggest and most successful of the copper companies could withstand. There was no one who perceived anything ahead but confusion and disaster. The Copper Producers Association, on the general theory that no news is better than bad news, hurriedly disbanded. All the leading copper companies, battened down their hatches for the coming storm and trimmed sails by cutting mine production of copper in this country in twain. Copper would sell down to 10 cents a pound, perhaps nine, or even eight cents, it was said. The rash prophet who had hardihood to predict that in ten months copper would be at 20 cents a pound, would have been greeted with pity or silent contempt.

It is not on record that a copper Elijah rose up to put courage into the hearts of the downcast producers. And for a while the action of the copper market confirmed the worst apprehensions. The metal, selling at an average price of about 13½ cents a pound in August, dropped steadily until in October it had fallen to nearly 11 cents a pound.

That was the low point in the downward movement. Gradually orders from the warring nations began to come in. Italy, England, France, all the allies needed large amounts of copper for the manufacture of war munitions. They wanted it at once, and wanted it badly. Price was no object. By the end of the year copper was selling at 13 cents a pound, and it kept on in its upward march until it crossed 20 cents in June.

On the way up from 15 cents the buying movement resembled a scramble. There was fear that there would not be

TABLE I

World's Production

Production

(Tons of 2240 lbs.)

	Tons		Tons
1914	898,486	1908	744,240
1913	981,577	1907	709,736
1912	1,008,527	1906	712,934
1911	872,748	1905	701,252
1910	849,686	1904	649,300
1909	836,870	1903	586,143

enough metal to go around, and doubtless many purchasers, as in 1907, fearing they would be left, bought more than they required. With joy in their hearts the

TABLE II

Average Prices for Electrolytic

	Cts. per lb.		Cts. per lb.
*1915	16.66	1908	13.39
1914	13.31	1907	20.86
1913	15.52	1906	19.77
1912	16.48	1905	15.98
1911	12.55	1904	13.09
1910	12.88	1903	13.63
1909	13.11	1902	11.82

*8 mos. average to Sept. 1.

producers ordered their idle workmen back into the mines. But it takes from 60 to 90 days at least to bring copper from mine to market, and it was not until copper had reached 20 cents that the weight of increased output began to make itself felt.

Now the mines of this country are operating at capacity, while it is estimated that refinery production is between 125,000,000 and 130,000,000 pounds a month, or at the rate of about 1,560,000,000 pounds a year. That is close to the high record. Inasmuch as copper sold at 20 cents a pound chiefly because of an unexpected demand which caught the producers operating on a 50% capacity basis, it would seem that with mines operating at full, another such spectacular rise in prices is not likely.

Never in the history of the metal were there more confusing and ill-definable factors bearing on the situation than at present. The war has upset the copper industry in common with other lines of trade. We no longer have the guide of the Copper Producers' Association figures, and the "invisible" movement of the metal out of this country in the form of munitions of war, is one that it is impossible to gauge with any degree of accuracy, although we know in a general way that the demand from the munitions manufacturers is very large.

World's production of copper for the last twelve years is shown in Table 1. It is likely that 1914 would have reported an increase over 1913 maybe a new high record, had the outbreak of hostilities not compelled a drastic curtailment policy. It is likely that this year's world output will be large, but just how large, is anybody's guess.

Those who see higher prices for copper in this country base their opinion on (1) Continued heavy demand from munition manufacturers; (2) Better domestic demand arising from improved business conditions at home; (3) Smaller production by the outside world because of lack of labor and labor troubles at mines and refineries, and also because of the difficulty in making shipments and difficulty in financing on account of demoralized exchange conditions and disturbance in the finance centers.

Those who maintain that the price of the metal is at least high enough, if not too high, point out that (1) There is a sharp curtailment in the "peace" demand; (2) Exports of copper are smaller than in years past; (3) High prices always tend to restrict free consumption; (4) The "war" demand does not begin to make up for the shutting off of the Teutonic nations from the world's copper markets; (5) Very large U. S. production.

On the whole it appears that those who maintain that the price of copper is as high as conditions warrant, have rather the weight of argument on their side. That there will continue to be heavy withdrawals for munitions manufacture as long as the war lasts, is obvious. But the production of copper is increasing constantly and will continue to increase as long as the metal maintains anything like present prices. Demand creates supply. And as is always the case when copper

TABLE III

U. S. Exports

(Tons 2240 lbs.)

	Tons		Tons
*1915	170,524	1908	290,243
1914	371,865	1907	228,836
1913	382,810	1906	205,460
1912	327,965	1905	239,863
1911	336,801	1904	247,421
1910	301,935	1903	138,435
1909	301,657		

*To Sept. 1.

strikes abnormally high levels, many "high cost" producing properties which are closed down with copper at 14 cents, find it profitable to reopen when high prices prevail. Then again the copper producers are in a race to attain maximum capacity. Four great porphyry mines alone, Utah Consolidated, Ray Consolidated, Chino and Nevada Consolidated are turning out the metal at the rate of more than 22,000,000 pounds a month, or 264,000,000 pounds a year, and can do even better under forced draught.

Within the next six months the great Chile Copper and Inspiration properties should loom as important factors in the production field. The Kennecott Copper mine in Alaska is already straining every nerve to bring production up to the 100,000,000 pounds per annum mark.

Better business will mean better demand for the metal in this country, but 18 cent copper means that substitutes for copper will be found, or its use discontinued in the arts and trades where its presence is not absolutely required. The price of electrolytic so far this year has averaged higher than the average for the seven preceding years, or since the memorable 1907 copper boom, as shown by Table 2.

Notwithstanding the improvement of trade in this country the "peace" demand for copper is considerably below normal. Brass mills are working day and night and are enlarging their facilities, but the wire mills are estimated to be operating on about a 50% capacity basis, and the electric manufacturing plants at about 75% of capacity.

Germany and Austria, to say nothing of Turkey and Belgium, are out of the world's copper markets. Germany is the second largest user of copper in the world, ranking next to the United States. Together Germany and Austria consume about 297,000 tons of copper per annum, of which they produce themselves less than 35,000 tons. So that their withdrawal from the copper market means a falling off in demand of nearly 600,000,000 pounds per annum.

The remarkable decrease in copper exports from this country is shown by Table 3. In whatever form the metal is going abroad comparatively little is being shipped in the form of exports. Exports for the first eight months of this year were at the rate of about 573,000,000 pounds per annum. That would be 260,000,000 pounds less than 1914 shipments and nearly 285,000,000 pounds less than 1913's shipments.

The foregoing discussion of the situation is not intended to convey the idea that copper may not sell still higher than at present. Copper production of this country is concentrated in so few hands that it is a comparatively easy matter to "mark up" the metal's price. But in view of the present large production, small exports and cessation of shipments to the nations ringed by the allies, it behooves holders of copper stocks and prospective investors, to act with the greatest caution. As in times past the metal has always eventually reacted to levels considerably below the present price, there is no reason to believe that it will not again do so again, as supply mounts to meet the demand. Speculative Wall Street sees and cares for only tomorrow or the next day, but the careful investor should look ahead not only to next month but next year.

The holder of copper shares should regard the future in the light of the past. Prudence preserves profits.

Two Copper Predictions

"Copper will sell at 30c. a pound," declared Henry H. Rogers, the former copper magnote, in the spring of 1907, when electrolytic copper was selling at 25c. a pound, the highest price reached in a quarter of a century. For once the great Standard Oil leader was wrong. His mistake cost him many millions.

John D. Ryan, president of the Anaconda Copper Co., the acknowledged leader in the copper world, predicts "the greatest copper market the world has ever known" after the war. Will he prove to be a true prophet?

MONEY - BANKING - BUSINESS

Settling Your Estate

Some Pointers for the Average Man—How to Save Lawyer's Fees and Avoid Trouble for Your Wife at Your Death.

By ROBERT L. SMITLEY

News Item

"Mr. James A. Smith, the well-known merchant, died yesterday at his home, 232 Summit Ave. Mr. Smith was for many years in the produce business and accumulated a modest fortune."

WHEN WIDOW SMITH takes charge of the strong box, in the safe deposit vault, she finds the following securities: 200 shares of Northern Pacific, 200 shares of Western Union, and 500 shares of Pennsylvania R. R. Mrs. Smith has no bank account of her own and needs ready cash to pay for her immediate necessities. She decides to sell some or all of the securities so as to get the required sum necessary for her present wants and invest the remainder in properties which will yield her a better income for the future. On examining the securities, she finds that they are all registered in the name of "James A. Smith" and *unendorsed*. The will of her late husband makes her the sole heir and executrix, so she goes to her broker to dispose of the securities. And her troubles begin.

First, she learns that she must comply with fifty or more legal requirements regarding the probating of the will, the advertising and the inheritance tax. Furthermore, she finds that all the collateral heirs must be notified and she must worry along for a year, if she lives in New York State, before the estate can be touched by her. After the legal matters are adjusted and she has borrowed money at usury to live on during the year, she again takes the securities to the broker. She wishes to sell and is advised by the broker that the best plan is to have the stocks first transferred to the broker's name. Her troubles begin to multiply. The broker gives her the following data comprising legal requirements so that the securities may be transferred.

For the Northern Pacific stock:

1. Certified copy of the will.
2. Surrogates certified copy of her appointment as executrix.
3. Waiver of notice. (This must be obtained from the Wisconsin Tax Commission at Madison, Wis.)
4. New York State inheritance tax waiver issued by the Comptroller of New York State.

The guarantee of her signature as executrix by a member of the New York Stock Exchange or his firm.

Stock transfer stamps. New York State, 2 cents per share, and Federal tax, 2 cents per share.

For the Western Union stock:

1. The stock certificates endorsed by the executrix with signature authenticated by formal notarial acknowledgment under seal, or guaranteed by a member of the New York Stock Exchange.
2. A certificate of recent date, showing the appointment of the executrix.
3. A copy of the will certified by the court.
4. The consent of the New York State Comptroller as required by the inheritance tax law. Sec. 228, Chap. 908, laws of 1896 and amendments.
5. The various stamp tax items.

The Pennsylvania R. R. stock will require about the same:

If the deceased is a resident of any

other state than Pennsylvania, "It shall be lawful for the executrix to transfer the stock whenever a duly authenticated copy of the will shall have been filed in the office of register of wills for the county in which the Pennsylvania R. R. has its transfer office or principal place of business, viz., in Philadelphia."

This register of wills also requires the authenticated copy of the will and certificates of the presiding judge and clerk of the court.

If James A. Smith had desired to save his wife much of this really necessary red tape, he could have done so when he was alive. He always intended his estate to belong to his widow, but he made it unnecessarily hard for the widow to collect it. If James A. Smith had, during his life, read the New Jersey regulations for effecting transfer of securities—all of which is too complicated and long for this article—he would probably have refrained from buying New Jersey corporation stock, or he should have read just such an article as this is—and followed instructions.

Here is what he should have done. His wife could have sold the securities at once and at the same time satisfied all the legal requirements of the state. As soon as the stock was purchased, he should have, at once, transferred it to "Mary R. Smith," his wife. As soon as received from the transfer office, Mrs. Smith would have endorsed it in blank and the stock is to all purposes as negotiatable as a twenty dollar gold piece. If Smith died, his widow would be in full possession of the stock in her own name, and she could dispose of it at her desire.

If Mrs. Smith had died before her husband, there would have been little if any trouble in Smith's having the stock re-transferred to his own name. He could easily show that his wife had endorsed the certificates in blank, giving him possession of the stock long before her death, and it would be a very unlikely situation that the transfer office would ever learn that Mrs. Smith was dead. There is no question of defrauding the state, because the stock was from the very beginning the real property of Mr. Smith.

Registered bonds, whether as to principal only, or both principal and interest registered, come under the same conditions as stock certificates. An unregistered bond is a very negotiable instrument and the simple proof of purchase by means of a bill of sale from the broker is sufficient to establish ownership, especially when the number of the bond purchased corresponds to the one held. In purchasing an unregistered bond, Mr. Smith might have completed the transaction through an account known as that of his wife's. If he had desired to purchase a registered bond and put it in his wife's name, she could easily execute a power of attorney in blank and give it to him to apply to the bond.

The same rules to facilitate easy transfer of the property of deceased persons, may be applied to the wife who desires to leave her property to the husband, the father to the child, etc. The above suggestions, for the elimination of red tape, are not meant for the very wealthy where the estate is vast and legal complications demand the services of costly attorneys, but for the family in moderate circumstances. However, a large New York estate amounting to over a million dollars, was recently liquidated, after the appraisal and inheritance tax had been settled, without any such trouble. The deceased was a very wealthy woman who held her securities in the name of her husband and endorsed by him. The husband was the executor, but only a minor heir, as to amount, but had the securities been in *her* name *unendorsed* at the time of her death, a very acceptable market might have been missed. It is not every broker who would sell the securities of an estate, borrowing against delivery until the legal papers permitted transfer of the stocks into so-called "good deliveries."

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

Once Haughty John Bull Now Comes to Borrow.

EUROPE is sending an impressive delegation to try to make terms with us for the immense sums she now owes this country for foodstuffs and war supplies:

Baron Reading, Chief Justice of England.
Sir Edward Holden, Bart., Chairman London City and Midland Bank.
Sir Henry Babington Smith, until recently President of the National Bank of Turkey.
Basil B. Blackett, of the British Treasury.
Octave Homberg, of the French Foreign Office.
Earnest Mallet, regent of the Bank of France.

The problem they have to solve is one to require the full influence of all their titles and decorations. It is, in a word, to get credit for a billion dollars. This fact may be disguised under fair language, such as the correction of the foreign exchange situation, or arrangements to help us sell still more goods abroad, but the fact is still there—they have come to borrow.

J. P. Morgan & Co. have already sounded leading bankers and trust company officials in the principal cities of the country in regard to the possibility of floating a loan of $500,000,000 or $750,000,000 at 5 or 5½ per cent., to be endorsed jointly by England, France and Russia.

England has recently sent us $58,500,000 in gold. The sequence of events leads to the suspicion that these cash payments were made in order to strengthen British credit here preparatory to the attempted flotation of this big loan. London and Paris might be able to collect together American securities to serve as collateral for part of the proposed loan, but hardly for all of it.

If the loan is to be floated, the sooner the better, evidently. Some time ago the rate of 4½ per cent. was mentioned as suitable for such a loan. Now nothing less than 5 per cent. would be considered. Every week of war will be likely to have its effect in raising the interest rate that would be necessary to induce Americans to take the securities.

THE NEW MONARCH.
—*St. Paul News.*

How European Authorities View the Situation.

LONDON and Paris endeavor, quite naturally, to put the best possible face upon the matter. They emphasize the importance to America of continuing to sell goods in quantity to the Allies, and hence the necessity of keeping the exchange rate within hailing distance of normal. As one London banker puts it:

> The idea seems to prevail in New York that we are on our knees and begging America to come to our assistance. The situation is exactly the reverse. America wants to sell Europe its goods, and if Americans hope to continue these sales they must find a means of giving the usual credits and stabilizing exchange.

Sir George Paish, in the London Statist: We do not anticipate much difficulty will be experienced in settling the existing indebtedness. It is the prospective indebtedness that is the important matter. We have placed very large orders for munitions and war equipment in the United States, and the delivery of these in the next few months will entail heavy payments. Further, we are coming into the period of the year when normally cotton, wheat and other shipments from the United States to this country are very heavy. It is possible that this year, especially with exchange at a discount,

the shipments may be sensibly reduced. For one thing the stock of American cotton in Liverpool is heavy, amounting to about 1,100,000 bales, against 625,000 bales last year, and only 459,000 bales two years ago, and if we use up this stock of cotton before purchasing additional amounts, as we shall be disposed to do with low exchange, the situation will be assisted. Again, we have in London a very large stock of wool for which we have paid already, and with a premium on exports which the discount on exchange provides we ought to ship a large part of this wool to the United States, where it is much wanted. In the same way exports of other goods to the States should be stimulated, while imports from the States should be curtailed. It is possible, therefore, that the trade balance in favor of the States may in this way be less large than otherwise it would be.

Senator E. Aimond, Finance Committee of French Senate: France could send before end of war 1,500,000,000 francs in gold to United States without affecting her financial position in Europe. While we can do this, we consider that the greatest service which can be rendered to France is to co-operate in stabilizing the exchange market, which Americans can do to their own advantage as well as to ours by granting a loan, proceeds of which would pay for supplies purchased in America.

The only alternative is to submerge American banks with gold to meet all payments. This we can do as easily as was done a few years ago, when the Bank of France sent 100,000,000 francs to relieve the situation in Wall Street.

Gold is flowing from individual French purses into the Bank of France at the rate of 80,000,000 francs a week, while peasants are subscribing to the national loan at the rate of 1,200,000,000 francs a month.

France has, besides the gold stock of 4,250,000,000 francs in the Bank of France, another gold reserve of 5,000,000,000 francs in private hands.

No pressure has been brought to bear upon these private stocks to bring them into the national service, but every goldpiece can be mobilized.

Although France can send a billion and a half of gold to meet obligations near to that amount now outstanding, the effect in the United States might be somewhat the same as that upon the mythological personage who was choked by his own riches. Business is not done today with gold, but with paper, and what the finances of both countries need is that their paper be maintained by the equilibrium of exchange values.

* * *

America Cannot Evade Cost of Europe's War.

CAN America, by some species of magic, evoke a permanent prosperity from the conflagration of Europe? Despite the evidence afforded by fancy quotations for "war stocks," Joseph French Johnson, Dean of the New York University School of Commerce, says it can't be done:

The European war will probably cost the people of the United States several hundred millions of dollars. We shall pay the bills, as it were, unconsciously. And we cannot evade the cost by keeping out of the conflict.

Europe will not be able to provide us with capital for the development of our industries to the same extent as before the war. In fact, she may quit sending us new capital and actually demand that we pay back what we owe, or even ask us to begin lending to her.

The governments of Europe are bidding high to attract that capital away from us, and they will bid higher still as the war goes on. The last British loan was sold to yield 4½ per cent. to the investor. Other nations are paying as much, and even more in most cases. As a cold business proposition on both sides it will be hard for our railroads and industrial corporations to compete with such an interest rate as that, especially when they have to fear government persecution at home. But it is not a cold business proposition. The nations of Europe will add to the attractive rate of their loans an appeal to the patriotism and pride of their people.

I believe they will be able to secure a large proportion of the capital available in Europe, and that they will pull away from us a large part of what we have borrowed unless we are willing to pay a much higher rate of interest than in the past when the renewal date comes.

Then Europe will probably succeed in inducing American capitalists to invest over there.

If these things take place—and I fear they will, because capital inevitably goes to the highest bidder if he is safe—some of our own capital needs may have to go unsatisfied.

Some of those needs will be pressing. In 1915 at least half a billion bollars of railway securities are maturing in this country. The railways in the United States, Mexico and Canada will need at least one billion of new capital during the next five years. How much will be needed for industrial corporations cannot, of course, be estimated, for their needs will depend upon market conditions which cannot now be foreseen.

We cannot hope to profit ultimately through the impoverishment of our neighbors, however much we may be deceived for the time being into self-complacency by the strength of our position as compared with theirs.

* * *

Business Leaders See Prosperity.

WHILE many express misgivings as to the more distant future, there is a general unanimity among our business leaders that present conditions are satis-

THE BUSINESS EXPERT LOOKS AROUND THE CORNER.
—*St. Paul News.*

factory and are showing a tendency toward further improvement:

James J. Hill: The territory covered by the Great Northern Railway will raise the greatest grain crop in history. The yield for that territory will be between 175,900,000 and 180,000,000 bushels.

General business conditions in the Northwest are quiet, but with an undertone of cheerfulness over the large crops. There is considerable activity in some lines, but as a rule people are not starting any new enterprises.

With foreign governments giving a considerably higher interest return on bonds, backed by a government guarantee, investors don't have to take chances in enterprises where there is no guarantee.

The lumber trade is dull. Ore stocks on the lower lakes are getting low and I think next year will see an advance in ore prices.

William A. Law, President of the American Bankers' Association: Business revival will be slow, but the country's greatest era of prosperity will soon dawn. The banker's problem is to find an outlet for the plethora of funds. He is playing safe and leaving speculation to speculators. Everything must be on the soundest basis to lure immense stores of wealth into investment fields. A banner crop movement will further increase the volume of bank reserves, already too abnormal for any possible normal outlet. The present upset of business and national wave of economy will disappear. Business improvement has already slightly begun and will continue to its full revival and marvelous prosperity.

George M. Reynolds: The corn yield promise is magnificent. Barring frost for three or four weeks, Iowa should have a bumper crop, although early frost would mean a great quantity of soft corn. Money conditions show no changes. Banks do not press farmers for payment of loans and the situation may be described as easy.

American Exchange Bank, New York: It looks as though we will continue gradually into better times. The distribution of the money received from abroad covers a great range of territory. Our farms, mines and forests have all been drawn upon to supply the needed material.

People in all parts of the country must share in the profits derived from our export trade. The railroad situation is improved and the outlook for the future is much brighter.

During the last few months we have witnessed the reconstruction of many businesses. The mistakes of the past are being corrected and business is on a sounder basis now than at any time during the last decade.

The Federal reserve system has exercised a quieting influence, and the fact that the people understand the banking system better than ever before has been largely instrumental in maintaining confidence in our ability to successfully solve the problems of the day.

President Markham, of the Illinois Central: The physical valuation of railroads now under way by the Interstate Commerce Commission will show that the railroads are not overcapitalized, and that they are managed by practical men. Some day the railroads will be put before the public in a fair light, and then the railroads will be given belated justice.

* * *

Cheap Money and Dear Capital.

AT the convention of the Washington state bankers at Seattle recently, H. J. Dreher, of the Marshall & Ilsley Bank, Milwaukee, had some interesting things to say about the paradox of cheap money and dear capital which has been so especially notable during 1915:

If cheap money were alone the great accelerator of prosperity and sound conditions of business, why are we now talking of returning prosperity and bemoaning the stealth with which it seems to move upon us?

When we speak of returning prosperity we, per se, take cognizance of its previous departure. We have greatly benefitted, materially, by the European war. We have in a year's time overcome a serious financial disturbance, have liquidated a vast amount of American securities held abroad, which has added capital to our store of credit in the shape of interest payments no longer necessary to be sent abroad, and have become a creditor nation in current trade.

And yet with this great abundance of credit, with advantages in trade, and new fields for its development, that we have never before possessed, and above all, with cheap money begging for use, we behold a period of industrial inertia and business depression. Why is everyone not rushing to secure cheap money which bankers everywhere are seeking to loan? Why are receiverships still occurring, why are prices of highest grade stocks and bonds still so low? Why are railroad systems finding it difficult to procure money to place their credit on a permanent and sound basis, why is railroad development, indubitably needed, still being delayed? Why is the buying of great merchandising establishments so limited in amount? And concurrently, our store of gold gradually increases and the expedient of issuing Federal Reserve notes to husband gold resources has been utilized. What a paradox.

There is but one answer. Capital is on strike. We are in a period when capital refuses to be employed. Large sums of capital are securely resting at 3 per cent. or less in the deposit accounts of strong banks. The dishonesty of promoters, and some financiers, is not forgotten. The exploitation of dreamers who would create wealth out of desert lands at 6 per cent. is still fresh in mind. The decrees which have prevented the payment of interest on foreign securities of nations in the turbulence of revolution have not accelerated further investment. Governmental attack on its own creatures has rendered the employment of capital dangerous. In a word, we have cheap money because the confidence of the public has been shattered.

A tendency will develop on the part of promoters of new enterprises, and speculators, to press insistently at home for cheap money in order that attractive rates and large profits may be obtained by loaning the money abroad.

Against this tendency, the bankers of America must be as adamant. In the last analysis our experiment in foreign trade and its effect upon the future of our country will rest on the wisdom and conservatism of our bankers.

* * *

Why Capital Remains Timid.

WHY capital remains timid in spite of many evidences of improving general business is plainly shown by the remarks of two of New York's leading bankers:

William Sherer, Manager of the New York Clearing House Association: The war unquestionably stimulated the demand for almost everything that America has for sale, for it has diminished European production of everything except dead men.

This stimulated sale of American products abroad and the enforced sale of American securities abroad have enabled us, indeed have forced us, to pay off a great portion of the money which we owed to Europe. Vast sums of what may be called American indebtedness, which were represented by American stocks and bonds, particularly railway securities, in the possession of foreign holders at the time of the war's outbreak, have been canceled. And what has been true of railway securities in vast quantities, in a lesser degree has been true of industrials and municipal and State bonds. American securities of late years have found many foreign purchasers, and we have been forced to take them back, to liquidate the debts they represent, and we have done so with amazing ease.

On its face this may seem to be a very desirable situation, but it is my opinion that it will not prove to be permanent enough to enable us reasonably to look forward to inevitable financial supremacy.

It seems to me to be impossible, therefore, that any large number of American citizens will largely and permanently profit from this war. People who predict the emergence of fortune from misfortune always are wrong.

When this war ends Europe will be poor, for a time, and unable to supply us with manufactured goods, because her capital and labor inevitably will be absorbed in the enormous task of rebuilding; expenditure will be curbed in many directions by the necessity for making up the enormous losses of the war.

Otto T. Bannard, President of the New York Trust Company: Everything is going well here

SHERMAN NEVER SAID ANYTHING ABOUT NEUTRALITY!

—*Harper's Weekly.*

now, but two years from now I believe that this country will be involved in a universal financial cataclysm, due to the destruction of European capital, plants, manufacturing centers and State wealth generally. We have more gold than we need here now, and will have for some time. In my opinion it would straighten matters out if England would place a loan here for a large amount.

It should not be forgotten that we have always depended to a large extent on European capital in developing our resources.

Our great national enterprises, such as our continental railroads, were developed through foreign capital. We are a great people, but we cannot stand alone. We must brace ourselves against the shock that will come.

* * *

The Vexed Question of Foreign Selling.

TWO of the leading Chicago banks have recently expressed themselves in regard to the probability of further selling of our securities by foreign countries:

Continental and Commercial National Bank of Chicago: If American manufacturers are paid in American dollars at the attractive contract prices as fast as the material is delivered, these foreign orders are very desirable. But the possibility that some difficulty may be experienced as time goes on in realizing cash on these orders is leading many to proceed with a greater degree of caution than has been manifested in previous months. It is obvious that European countries, no matter how strong financially, cannot continue to buy from us in such large volume as has been done in the last few months and pay cash, especially when the total of the offsetting import items is diverging instead of paralleling and keeping pace with the export business.

A trade balance in our favor of upwards of a billion dollars is the source of great confidence in our ability to absorb any considerable volume of the European investments, which may be offered later on in this country. The experiences in the international exchange market recently indicate the probability that a considerable part of these foreign investments will come back to this market in the course of time. During the fiscal year of the war in Europe, it is estimated that in various ways the British have paid us something like $520,000,000, which falls $136,000,000 short of paying their indebtedness to us at the end of that fiscal period.

As this sum is equal to about one-third of the gold holdings of the Bank of England it is quite probable that the disposition on the part of the European banks will be to conserve their gold wherever possible and seek to liquidate this indebtedness through the re-sale of American securities. For a time European investors may show a disposition to retain their American holdings because of their attractiveness and safety, but the increased strain on the capital markets of the world, especially abroad, and the consequent increasing attractiveness of their home securities is likely to induce the European individual investors to shift their investments from American to European securities and enterprises.

National City Bank of Chicago: Absorption of bonds by real investors continues. Sales of our securities by London alone have averaged from $10,000,000 to $20,000,000 a week for some time past. Altogether fully half a billion dollars (par value) American securities have been returned by European holders during the last twelve months of war. The liquidation will continue, although at irregular intervals, for it is natural that Europe should realize upon its holdings of American stocks, bonds and short-term notes at a time when fully $60,000,000 a day is being expended to wage war on the twentieth century basis. There are large unemployed funds in this country, however, which will be gradually reinvested as the promise of a great harvest becomes more thoroughly assured. Public craze for war stocks reflects not alone a desire to "grab profits on lucrative business," but a well-defined feeling that intrinsic conditions are sound, and that the industrial outlook is reassuring.

* * *

Market Views Mostly Optimistic.

NEARLY all the brokerage houses are confident that the prosperity wave will continue to grow but some expect a period of reaction before further advances are scored:

J. S. Bache & Co.: We have received in gold, since the first of January, nearly a quarter of a billion dollars ($243,750,000). On the first of January we had much more than enough gold to back up all our obligations. This new gold, held as an 18 per cent. reserve, would justify a loan of nearly $1,400,000,000.

It is thus seen in what position of equipment we stand to make a large foreign loan when it is offered.

It might be different if the business of the country were in prosperous activity. But it is not. Probably not more than 25 per cent. of all our business institutions are doing a good paying business. This is not because of the war. The war saved us from a deeper depression.

Posner & Co.: While it may be that U-boat activities will be discriminating in their destructiveness, there need be no sacrosant innocent belief that shocks of this character have been eliminated. Conflicting opinions have caused erratic fluctuations and have had a disturbing effect on the minds of the speculative community and retarded the market's natural trend. Notwithstanding all this, the securities market is now running the road that will soon

reach a stabilized level from which it will again resume its normal trend toward improvement.

Finley Barrell & Co.: Until the foreign exchange situation has been righted we advise caution in stock dealings.

* * *

Cross Currents in the Steel Business.

ALTHOUGH the U. S. Steel Corporation's unfilled orders failed to show any further increase during August, general reports from the industry are very gratifying. For example, the Matthew Addy Co. say:

August looms up in the iron market like a tower of strength. It was a month in which everything went in the right way—a month that restored the confidence of the trade in the future, and, furthermore, a month of such heavy buying and selling of both raw and finished materials that hundreds of wheels idle a month ago are now running night and day. Prices advanced, and the whole tendency of things is upward.

Steel rail orders in August were more than double either 1914 or 1913, due largely to foreign orders. Russia alone took 70,000 tons. Monthly business for three years, in tons:

	1915	1914	1913
January	200,000	317,700	200,000
February	150,000	203,500	141,000
March	160,000	73,500	70,000
April	65,000	76,000	75,000
May	14,000	100,000	85,400
June	225,000	167,000	96,000
July	240,000	237,000	100,000
August	160,000	78,500	66,600
Total	1,214,000	1,253,200	834,000

On the other hand, the People's National Bank of Pittsburgh calls attention to the "exotic character of the boom:"

Inquiry into the nature of the steel business, however, reveals that export orders are almost wholly responsible for the activity, and if it were not for these, the trade would be quite unsatisfactory. These export orders are by no means wholly confined to munitions and war materials generally, but embrace a large amount of railroad supplies. Thus if current estimates may be relied upon, the tonnage of supplies for Russian railroads alone is much larger than the tonnage represented in combined orders for rifles, shrapnel shells, etc., although the money value of the latter largely exceeds the former. Of course, the increased demands made upon European roads by reason of the war are responsible for the commercial export demand, and the latter would be supplied by Germany, England and France, instead of coming to the United States, if Europe were at peace.

Incidentally, it may be remarked that in the year before the war Germany supplied over 40 per cent. of the merchandise imports of Russia, and Belgium, France and Great Britain contributed a considerable percentage. Now, Germany's exports are nil, some of the French industries are in the hands of her enemies, Belgium is entirely dominated by Germany, and Great Britain is too busy supplying army and navy needs for herself and Allies to compete with the United States.

Outside of the war-order business, and the industries directly or indirectly engaged therein, local trade has not increased as it usually does when steel is active. While mills, furnaces and foundries engaged in furnishing supplies consumed by the makers of export materials are operating virtually to maximum capacity, plants not suitable for this kind of business, and dependent solely upon domestic demand, are in some instances probably not running more than 50 to 60 per cent. of capacity. In exceptional industries the percentage of operations is even smaller, demonstrating the exotic character of the "boom." In some of the smaller plants producing specialties needed for the building trade, for example, positive dullness continues to be reported. The coal trade as a whole continues to disappoint expectations, although producers are still optimistic concerning the last quarter of the year.

* * *

E. G. Scales Predicts Fifteen-Cent Cotton.

E. G. SCALES, the cotton man, who was reputed to have made—and lost—a fortune of $10,000,000 in the 1909 cotton corner, recently talked for

TWO KINDS OF PROGENY.
—*Chicago Post.*

publication "for the second time in his life," as he put it. He has studied the cotton market closely for twenty years or more. The gist of his interview is as follows:

I can see nothing but good business in America, at least for the next few years. The steel mills are busy, and that is the test. America has the stuff to sell, and big business must be the result.

The cotton mills are not loaded up with cotton, and neither are the merchants, wholesalers, or retailers. They are all carrying the minimum of cotton in stock. These people must buy eventually. In addition, Europe will use a great deal more cotton in the next few years than she used in the last few years. Things once made of silk in Europe will be made of cotton after the war is over. My idea is that the stocks of dry goods throughout the world are down to low ebb, other countries being worse off than America.

So I maintain most strongly that there is an enormous short interest in cotton. America next season will consume between 6,500,000 and 7,000,000 bales of cotton. Europe takes 65 per cent. of our cotton, and the short interest will be even greater in Europe than in America. The short interest in actual cotton is the most enormous in the history of the cotton crop.

There's Germany. The other day she offered to buy 1,000,000 bales of cotton at 15 cents a pound, delivered in Bremen. Before this year's crop has passed away Germany will buy that cotton and store it in America awaiting peace for its shipment, and Germany will pay 15 cents for it here.

I am firmly convinced that the present price is ridiculously low, and those farmers who are selling cotton at present prices are deceiving no one but themselves, and are robbing no one but their own wives and children.

In my opinion, cotton during this season will sell very, very high—how high I do not believe any cotton man can guess within 2 cents a pound. It will go two cents a pound higher than the normal range of vision of even an optimist.

Hints for Investors

IF you can find an industrial bond where the margin of safety is comparatively narrow but the character of the business is such as to insure stability of earnings you can take more risk than in the case of a larger margin generally but less stability.

DON'T be deceived by the guarantee of a large road of a smaller road's bonds. The smaller road may not be necessary to the integrity of the larger system and unless you know the terms of the lease and the smaller road's earnings provide a reasonably safe margin you are not on sure ground.

IF it is at all possible to do so get from the investment banker a statement or information showing the relative amount of business produced by the part of the railroad system on which you are buying the bond. This will give an added indication as to the position of your security if trouble should come.

THE weak points of a bond are obviously neglected by any one interest in selling. There are very few bonds indeed in which there are no flaws. Some of the specialties like timber, drainage, irrigation and real estate bonds should be put to the most critical study before being accepted as sound investments.

Interesting Changes in Business Statistics

Money Still Lower—Building Operations Larger—Failures Small

THE further easing of the money rate can hardly be called an important change under present conditions. The decline in the rate is slight and is due partly to the receipt of further gold from Europe and partly to the fact that bank clearings do not expand as rapidly as might naturally have been expected. The total reserves of New York clearing house banks and trust companies are now well above $200,000,000. The result has been a considerable increase in the per cent. of cash to deposits and a decline in the ratio of loans to deposits to the very low figure of 91.6 per cent., while the rate on six months paper is about 3¼ per cent. This shows plainly that we are as far as possible from that condition of inflation which some have feared might result from the workings of the new Federal Bank system.

It is notable that commodity prices have paused in their rise. *Bradstreet's* Index has recorded slight declines for two successive months. This is another evidence of the entire absence of speculative inflation.

Bank clearings for the whole country show a normal increase over previous years, but it is notable that practically the entire increase is found in New York City. Clearings outside New York are slightly more than for August, 1914, when the war was just beginning, but just about the same as in August, 1913 and 1912, and only a little over 1911. We are obliged to say, therefore, that clearings are not showing a normal growth, aside from those which result chiefly from greater activity in the stock market.

Building operations are showing a considerable recovery. It is not surprising that they are larger than last summer, but the fact that August of this year showed greater activity than August of 1913 is decidedly encouraging. The total liabilities of failures are only about 40 per cent. of last year and are smaller in August than in any previous August back to 1911. This indicates that business is becoming adjusted to war conditions, so that the pressure of meeting liabilities is more readily borne.

Our big export excess and gold imports have become an old story. The price of copper is still hesitating between 17 and 18 cents. The steel situation is discussed elsewhere in this number. Crop conditions are almost ideal. General business prospects are excellent, but there are no indications of a boom outside of the industries directly affected by war orders.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent. Cash to Deposits, New York Clearing-house Banks.*	Per cent. Loans to Deposits, New York Clearing-house Banks.*	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.
September, 1915	3¼	5	21.0	91.6	9.79	....
August, 1915	3⅝	5	19.9	93.5	9.81	3,281
July, 1915	3⅝	5	19.3	94.4	9.86	3,250
September, 1914	6⅝	5½	22.7	102.8	9.76	2,698
" 1913	6	4[illegible]	25.6	100.8	9.10	2,693
" 1912	5¾	3[illegible]	25.3	99.8	9.21	2,722
" 1911	4½	3[illegible]	26.8	97.8	8.82	2,531

*Affected by the new Federal Reserve System.

	Total Bank Clearings of U. S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thousands)	Business Failures, Total Liabilities (Thousands)
August, 1915	$14,268	$5,731	....	....	$40,000*	$15,017
July, 1915	14,925	6,229	Im. $15,071	Ex. $124,879	38,958	17,178
August, 1914	9,932	5,351	Ex. 15,080	Im. 19,400	34,168	38,709
" 1913	12,391	5,629	Im. 4,609	Ex. 50,257	39,259	22,237
" 1912	13,208	5,722	Im. 3,078	Ex. 13,088	52,038	15,532
" 1911	12,662	5,278	Im. 3,624	Ex. 18,239	63,123	12,009

*Estimated.

	Wholesale Price of Pig Iron.	Production of Iron (Tons) (Thous'ds).	U. S. Steel Co. Unfilled Tonnage (Thous'ds)†.	Price of Electro. Copper (Cents).	Crop Conditions. Winter Wheat.	Spring Wheat.	Corn.	Cotton.	Babson's Bond Average.
September, 1915	$14.40	.....	.....	17.5	....	94.6	78.8	....	86.5
August, 1915	13.80	2,779	4,908	17.3	....	93.4	79.5	69.2	87.2
July, 1915	12.71	2,563	4,928	19.5	84.4	93.3	81.2	75.3	87.5
September, 1914	13.25	1,995*	4,213*	12.1	94.1‡	68.0	71.7	78.0*	....
" 1913	14.25	2,543*	5,223*	16.3	81.6‡	75.3	65.1	68.2*	92.5
" 1912	15.87	2,512*	6,163*	17.5	73.3‡	90.8	82.1	74.8*	96.0
" 1911	13.31	1,926*	3,695*	12.2	76.8‡	56.7	70.3	73.2*	97.7

*July. †Last day of month. ‡July.

BOND DEPARTMENT

Catching the Upswing in Bonds

Buying Bonds on Marginal Plan—How to Make Large Profits in "Safe" Bonds—A Practical Plan of Investment for Safety and Profit.

By FREDERICK LOWNHAUPT, Author of "Investment Bonds," Etc.

IT LOOKS LIKE AUDACITY to tell people to buy bonds now. It is a strange freak of psychology that people will buy investments when they are going up. When they are going down they leave them strictly alone, believing always they can be bought a little lower on a "dip" or a "reaction." A few wiser ones buy when they are cheap. Most investors try to buy at the very bottom.

Just such a situation exists in the bond market to-day. A lot of people are holding their money tight waiting to see how much lower bonds will go. There may be a sudden reversal of the trend any day and, true as it is in the stock market, it will probably hold in the bond market that prices will be much higher before the investor recognizes the fact that the market has turned.

A while ago I wrote on "exchanging your investments," wherein I said it was time to go into medium grade bonds, because these were the issues in which speculation would work and in which higher prices would result with more profit than the higher grade issues. To date the advice has served good. The highest grade issues so widely held by Europeans have been constantly flung at the market and prices have sagged.

For this reason high grade bonds are a purchase now, but as we are considering some money making possibilities we shall have to look to a lower class of security. In the medium grade and semi-investment type we shall find what we want. These are the bonds that have suffered from European liquidation for one thing, and have been doubly depressed because earnings of the railroads have been very poor and margins of safety have been reduced. There has been a combination of circumstances impossible to resist. Consequently prices have crumbled, and as is generally the rule, the prices of medium grade issues have suffered in proportion, thus bringing them down to a level untouched for many years.

If, therefore, these bonds could live through such a siege of bad earnings and depressed conditions as has existed over the past two years or more, there is considerable of a substantial nature about them. Possibly these bonds are at the very bottom prices now, may be they will go a litle lower. Much lower they will not go, so that a wise investor can think about putting in a line of these bonds for a pull of two or three years; possibly less.

As yet, the bond market has been practically untouched by the speculative wave. But, as in times past this is sure to come. When stocks begin to drag and seem dangerously high there will be a transferal of interest into bonds and this will run into speculative or semi-investment issues. The rate of return is now extremely inviting in these bonds, and the possibilities of appreciation are

enormous in many issues. As a matter of fact it is possible to more than double one's capital invested by following the plan outlined.

Doubling the capital employed is the distant hope of many a speculator in stocks. Here is the possibility of doing it in bonds on a conservatively figured market advance.

There is much profit to be made in buying high grade issues for a pull and advance in price. The possible profits in an operation as herein described are simply enormous for bond trading. It has been emphasized time and again in these columns that large profits can be made in bond trading and the wide awake investor can use a part of his capital with great efficiency by working in semi-investment issues of the kind mentioned.

I have therefore given in Table I a selected list of issues that have an active, listed market, have had a great decline on the average, have excellent possibilities of enhancement in price, and in the meantime return a handsome income of more than 6% on the average over the group. It will be noticed that industrial issues are left out of the table. This for the reason that they have had so much of an advance that the possibilities of profit are rather narrow. Lackawanna Steel 5s, for instance, have advanced nearly twenty points from their low. Possibly they will move to much higher figures, but the cream seems to have been skimmed. The same with other steel issues. Along with this advance, other industrials have moved to a point where they return only a fair amount of income, and have no great enhancement in sight.

The plan involved in this article is to buy the bonds "part paid," that is, in other words "on a margin." The average investor does not know that he can buy bonds on this plan just as he can buy stocks and that the bonds are even more acceptable than the stocks. Very few people operate in bonds on this plan. A great part of bond buying is cash purchasing, the bond being taken away. To get the greatest possible profit with a reasonable degree of conservatism we shall study the operation on this so-called "margin" basis.

In the first place, the basis of this operation must be explained. Traders in stocks place with the broker a certain

TABLE I

A List of Speculative Bonds with Opportunities of Large Profits

	Interest rate	Approximate present price	Approx. income return based on last interest paid
1—Chicago & Alton	3½	44	7.30
2—Chic. Great West	4	65	5.70
3—Col. & Southern 1st	4	85	5.50
4—Col. & Southern ref	4½	79	6.10
5—Erie prior lien	4	78	5.15
6—Erie general lien	4	66	6.00
7—Erie convertibles (A)	4	61	6.00
8—Erie convertibles (B)	4	69	5.96
9—Hudson & Manhattan ref (A)	5	70	6.80
10—Iowa Central 1st	5	84	6.20
11—Kansas City Southern	5	87	5.80
12—Miss., Kan. & Tex. 1st	4	76	5.30
13—New York Ry. ref	4	68	6.40
14—New York Ry. Adj	5	50	6.50
15—St. Louis So. West 1st	4	70	5.60
16—San Antonio & Aran. Pass 1st	4	66	6.40
17—Seaboard Air Line ref	4	68	6.00
18—Seaboard Adjustment	5	60	7.20
19—Southern Ry. Gen'l	4	61	6.00
20—Third Ave. ref	4	78	5.30
21—Third Ave. Adjustment	5	78	6.20

TABLE II

Amount of Money That Would Be Required to Be Paid Down on Each Bond on the Basis of Protection to Ten Points Below the Lowest Price the Bonds Touched for the Last Several Years

*(Bonds numbered as per Table I)**

Amount	Lowest price over period	Amount	Lowest price over period
1—$120	32	12—$110	75
2— 100	Present	13— 100	Present
3— 100	Present	14— 150	45
4— 170	72	15— 100	Present
5— 100	Present	16— 100	Present
6— 120	64	17— 100	Present
7— 120	59	18— 110	59
8— 130	56	19— 100	Present
9— 100	Present	20— 200	58
10— 100	Present	21— 160	72
11— 100	Present		

*Fractions omitted.

margin based upon the current price of the stocks bought. That is, if they deposit twenty dollars per share on a stock selling at 80, they are protected by them down to sixty. In this plan of bond operation we shall take the lowest point reached by the bond over a considerable period of years and then below this we shall protect the purchase by another ten points, meaning $100 per bond if it happens to be at its lowest point now and something in addition if the price is now a little higher than its lowest.

Under this plan we are acting conservatively. Taking the lowest point of the bond's decline gives this conservative element to the plan. In Table II, therefore, is shown the amount of money that would be necessary per bond under this arrangement. The amount is low in most cases, and provides a working margin which should prove amply sufficient under present conditions. As the table is self-explanatory in its further details we shall consider other aspects of the plan.

We have now picked our bonds and found how much we shall have to pay down on them for protection on a conservative basis. In Table III are given several groups that could be held under the amount of capital given. The arrangement and capital is purely arbitrary, as the investor can make up any combination he chooses according to the amount of capital at his disposal and his personal inclinations in selecting the bonds. The amount of profit to be derived from a group, of course, depends on the particular bonds selected. The groups given, however, illustrate the idea and may be followed for satisfactory results.

In conclusion, and most interesting of all, is the approximate amount of profits to be derived from such an operation. Here again we have taken a conservative stand by figuring profits on an appreciation only half way from present price to the high price touched in the same period. The great decline of course

TABLE III

Three Suggested Groups That Could Be Carried on the Stated Capital

$1,000 (One each)	$2,500	$5,000 (One each of the entire list with these additional)
Chic. Gt. West 4s	(One each of the entire list)	4 Erie Gen'l Lien 4s
Col. & Sou. ref. 4		5 Kan. City Southern 5s
Erie Prior Lien 4		1 Miss., Kan. & Tex. 1st 4
Kansas City Sou. 5		3 New York Ry. Adj. 5s
New York Ry. Adj. 5		5 Seaboard A. Line ref. 4s
St. Lou. So'west 1st 4		
Seaboard Adjst. 5		
Third Ave. Adjst. 5		

TABLE IV

Approximate Amount of Profit Per Bond from the Operation if the Bonds Advanced only Half Way from Their Present Price to Their Previous High Price Over the Period of the Past Several Years

	Market appreciation per bond	Additional profit resulting from difference between interest received on bond and interest paid for carrying same at 5%, if bond were held one year
Chic. & Alton 3½	$150	$23
Chic. Great West 4s	110	7
Col. & Sou. 1st 4s	60	−5
Col. & Sou. Ref. 4½s	100	11
Erie Prior Lien 4s	60	1.50
Erie Gen'l Lien 4s	70	10
Erie Convertibles 4 (A)	150	10
Erie Convertibles 4 (B)	55	9.60
Hudson & Manhattan ref. (A)	105	18
Iowa Cent. 1st 5s	110	12
Kansas City Sou. 5s	80	8
Miss., Kan. & Tex. 1st 4s	70	3
New York Ry. ref. 4s	55	14
N. Y. Rys. adj. 5s	90	15
St. Lou. So. West 1st 4s	115	6
San Ant. & Aran. Pass 4s	110	14
Seaboard Air Line ref. 4s	155	10
Seaboard Adjustment 5s	120	12
Southern Ry. dev. 4s	100	10
Third Ave. Ref. 4s	5	3
Third Ave. Adj. 5s	30	12

makes the profits appear large, running in two cases to 15 points, the decline being 30 points. The handsome profits to be reaped by appreciation alone are even augmented from another source. All the bonds pay interest. Bought on so low a price the interest return as shown in Table I is very attractive and does double service. It not only takes care of the charge by the broker for conducting the operation, but gives a further profit from this source. Expressed in dollars in Table IV it may be easily seen what an enormous profit is to be gained in this way.

Profit from interest, however, is predicated on the cost of carrying the bonds at 5%, which would be the normal charge to-day by the average brokerage house. In a tight money market later on (which seems almost impossible for a long time) the rate might be advanced to 6%, but even here there would be a slight profit.

The plan is well worth study. It offers a thoroughly practical method of buying bonds which are much safer than most stocks, and yield quite as much, if not more than a similar stock market operation.

AN advantage which *investments* possess over *speculations* is the comparative freedom from attention which investments enjoy.

Bonding Prosperity's Twin:—Good Roads

Development of the Road Bond—Its Appeal to the Investor

By D. ARTHUR BOWMAN

HUB-DEEP and mired hopelessly, some Easterners intent upon getting to a Southern resort in a "barouche" of more or less antiquity, asked their guide where they were.

"Well, boss," was the reply, "we're just now in the Land o' Mud!"

The answer was an appropriate one, for the gospel of good roads has not yet entered that section of the United States. Two years later, however, when one of the previous party returned to the same point, his amazement was complete as he saw a beautifully macadamized stretch of highway.

This is almost a typical case, for the past few years have witnessed a revolution in bringing about improved highways throughout the United States. Time was when towns were satisfied with board walks and stepping stones for street crossings—some of them are yet, for that matter. Paved streets were not considered. Today, however, the keen rivalry between cities and towns demands paved streets and walks.

When it is remembered that it was only about ten years ago that the State of New York appropriated through act of the Legislature $50,000,000, in the form of long-term bonds, to be devoted to the improvement and upkeep of the highways of the Empire State, it will be appreciated that the Good Roads Movement is really in its infancy everywhere. It cannot be said that the East has been lethargic in this matter, for the awakening has been general.

Everyone who has lived in rural communities knows that one day in the week is set aside for "going to town." In the former times, the farmer was content to drive through the mud and over rough, unmade roads. When the weather was particularly unfavorable, he did not make the trip. After a rain, considerable time would elapse before the journey could be made with any sort of comfort.

It does not take long to figure the economic loss of time, energy and good, hard cash—the elements which so strongly enter into the much-discussed "high cost of living"—arising from the continuance of inefficiency of transportation. In many sections, this cry from the consumer was mingled with that of the producer who complained of the "high cost of transportation" and marketing of his products. It did not require much campaigning on the part of the National Good Roads associations to prove that the low earning ability of the farmer, through poor roads, the rapid depreciation in the teaming results and inability to take advantage of rapid market changes, all worked a hardship mutually upon the farmer and the city buyer.

As an example, a county in Tennessee may well be cited: Before road improvement began, one bale of cotton was an average load for a two-horse team. There are now 100 miles of improved roads in that county. It is not an uncommon sight to see a twelve-bale load of cotton, thereby increasing the earning ability of the team for the farmer just twelve times. Some time since, the farmers were notified by telephone of a sudden rise of several dollars, per bale, in the price of cotton.

To the farmer residing upon the bad road—whose limit of hauling was one bale—this rise meant only $4 per load. But to the farmer living upon the good road, it represented a profit of $48 per load. Furthermore, he was able to haul the twelve bales in less time and with less abuse to his team and wagon.

In a county in Kansas, it is stated that the cost of delivering wheat from farm to railroad, a distance of ten miles, was reduced from 15 to 4 cents per bushel after the completion of good roads. The results of road improve-

ments are, in fact, so out of proportion to their costs, that one can almost multiply indefinitely the benefits derived from them.

However, careful investigation and comparison in the showing of farmers' and others' teams "before and after taking," disclose some remarkable results. In one instance, there was an increase of 380 per cent. in the tonnage handled by the same team—in another example, a gain of 233 per cent. Of course, the proportionate cost of the improvement to the individual farmer is slight—and, in many cases, almost insignificant.

And yet, in spite of such conditions as have been briefly enumerated here, it has been estimated according to the United States Department of Agriculture, that the farmers of the United States are annually losing $250,000,000 on account of the inaccesibility of their products at certain times of the year. All of which is entirely due to bad roads.

It is, of course, a well-established fact that the market prices for produce varies considerably throughout the year. With the unreliable road conditions, which prevailed until recently in many sections of this country, farmers were forced to move their crops, not when the market prices were most favorable—but when the roads would permit.

It was to remedy these unscientific, impractical and unbusinesslike conditions that many of the State Legislatures have enacted laws, providing for the organization of good roads districts. These districts have increased to such an extent that on January 1, 1914, 41.1% of all of the counties in the United States (1,230 counties in number, to be exact), had issued bonds for the creation or improvement of public highways.

It is estimated that on September 1, 1915, the total of bonds issued for this purpose exceeded $325,000,000. It has also been estimated that of all of the bonds issued by public corporations during the past year or two, more than one third have been emitted for this improvement purpose. These bonds are essentially municipal bonds, being issued by duly organized public corporations, having all of the powers usually vested in duly incorporated public bodies.

Highway improvement with borrowed funds must be truly regarded as an investment. Of course, the only manner in which a measurable income can arise from such an investment (so far as the taxpayer is concerned) is through a reduction in hauling costs. From the standpoint of public economy (as the Office of Public Roads properly states) the annual cost of hauling represents the "operating expenses" of the road system. The direct return upon the highway investment, therefore, is the reduction in operating expenses. This difference between the old and new hauling costs to a community is a most substantial one. Not only is it a practical, economic difference—but it is a moral difference, for it represents progress, enterprise, thrift and a zeal for improvement and advancement which must not be overlooked in a consideration of the community "hazard."

Furthermore, highway improvement frequently results in a more intensive cultivation of the neighborhood crops and a substantial increase in the annual tonnage. For example: Ton-mile costs, roughly speaking, on a poor road are 30 to 35 cents. In Europe, the average on a good road is near 10 cents. In this country, on good roads in at least three States (one being in New York, one in Indiana and one in Oregon) the rate is down to about 11 cents.

Good roads bonds issued under the proper safeguards and restrictions are deservedly popular. Such political subdivisions as counties, magisterial road districts, supervisors' road districts and others have been borrowing on their faith and credit for these improvements. Unfortunately the laws in some States (Texas, for example) are such that the life of these obligations runs as much as forty years. The life of a highway is more or less problematical, depending upon its use,

maintenance and the nature of its construction, hence the life of the bonds should under no conditions exceed the life of the improvement.

In most instances, bonds issued for good roads purposes have ample and adequate sinking fund allowances, providing for the extinguishing of the debt at or before maturity. There are instances, however, where no such provision exists, thus requiring the "extending" or "refunding" of the debt at maturity. As a matter of prudence, this is unfortunate, since the best concern of the taxpayers demands that the debt should be paid within the briefest period commensurate with the taxing powers and debt limitation of the borrowing district.

With such important products pending as the Dixie Highway (to pass through 134 counties, thus far selected) and aggregating an expenditure of many millions of dollars, it behooves public officials, taxpayers and investors alike to pay careful heed to the most feasible and safest methods of highway financing. Experience has demonstrated beyond the question of a doubt that the method of issuing bonds in serial form, enabling the borrower to repay a portion of the debt each year out of tax receipts, is in every way superior to the former method of issuing bonds having a far distant fixed (or "ultimate") maturity, with annual payments to a sinking fund. Too often has the latter proved to be an inescapable temptation. Too often has the diversion of cash on hand, ostensibly held for "sinking fund purposes" led to grievous results and heartaches for the taxpayers.

Therefore the old principle of "paying as you go" seems the one to be followed. The issuance of the $325,000,000 of these road bonds, accepted by representative investment banking firms and in some instances paying 5 per cent. or even more, with the highest legal authority as a final stamp of approval, has spelled "Prosperity" in capital letters for many sections of the United States—with greater benefits to come to other districts as this great economic uplift continues its welcome progress.

Bond Inquiries

San Antonio & Aransas Pass 4s

San Antonio & Aransas Pass 4's are guaranteed by the Southern Pacific, and are entitled, for that reason, to a good rating as an investment. Guaranteed by the Southern Pacific, they should sell much higher, but there is against them the fact that the road is very poor on earnings. It is, in a large measure, necessary to the integrity of the Southern Pacific system now, but whether it will always be so considered by the Southern Pacific Co. is a question.

The bond is an anomaly. The guarantee of this system certainly looks poor in the light of the market price of this bond, but, of course we all know that this is not the case.

Three Bonds in or Near Trouble

E. M. A., Ida.—River and Gulf division bonds of the Iron Mountain are not disturbed in the proposed scheme of reorganization. They are a good semi-investment issue because of the uncertainty of the outcome of Missouri Pacific affairs.

Denver & Rio Grande 5's are also semi-investment bonds because of the poor position of the Denver and the weakened margin of safety for all its funded debt. Chicago, Rock Island & Pacific refunding 4's also come in this category.

We believe they will come out all right in the end, but before the Rock Island property is on its feet permanently, these bonds cannot properly be considered a conservative investment.

Missouri-Pacific 1st 5s 1920

T. A. E., Toronto.—The outlook for the Missouri Pacific First collateral gold 5s 1920 is encouraging. By the terms of the plan of readjustment, the holders will receive in exchange, par for par, first and refunding 5 per cent. bonds of the new company. They are now secured by practically a first mortgage on 700 miles of valuable road at the low rate of $13,765 a mile. With the scaling down of fixed charges, as outlined by the plan, the road should be amply able to meet its interest charges.

Erie & Western Maryland Bonds

We regard all the Erie bonds as safe. The company is in a good position and well able to

take care of its bond interest. Western Maryland does not earn its full bond interest; in fact, it has been in very bad position respecting this matter. Its bonds are speculative. Do not buy them if safety is your largest consideration.

International Navigation 5s

Why in your opinion in the planned reorganization of the International Mercantile Marine, should not the International Navigation Co. 5 per cent. bonds be treated at least as well as the Mercantile Marine 4½'s? It had always been our understanding that the Navigation 5's were an underlying lien.—W. C. H., Mass.

If you examine the physical security pledged for the International Navigation 5's, you will see it is of the poorest kind. The American Line Steamers are very old, almost obsolete, as steamships go. On the other hand, the Mercantile 4½'s have as their physical security most or all of the best of the company's assets, besides being a second lien on the same property securing the first mentioned bonds.

While it is true the Navigation 5's are a prior claim as a general obligation of the company, and in my opinion for this reason should have been given some better consideration, it is apparent the makers of the reorganization plan subordinated priority of legal position to a comparison of the stated assets under each, and accordingly decided that the 4½ should get a great compensation.

It is a fine point they have apparently made, and one in which we cannot concur from a comparatively superficial study of the situation, but doubtless a very careful canvas of the whole matter was made by them before they incorporated their judgment in the plan in this way.

Rock Island 1st and Ref. 4s—St. Louis & Iron Mt., So. River & Gulf 4s

C. R. K., Willimantic, Conn.—Notwithstanding that the Rock Island is now in receivers' hands, the 1st and Refunding 4s are in a fairly secure position, although receivers' certificates have been made a prior lien. Earnings have always been above interest requirements, and the equities of the bond in the company's property and earnings are considerable. Of course, unfavorable developments will affect the price of the bond, but the rehabilitation of the company's finances, which is scheduled to take place, should eventually improve the position of the bond. They may be classed as a fairly good business man's investment.

The price of the above issue (about 63), and that of the second bond you mention, St. Louis, Iron Mt. & Southern Railway Company, River and Gulf 4s (about 52), indicates fairly well the ranking of these two bonds. The latter is secured by a first lien on a section of the system at the rate of about $44.750 per mile, which is high. We are of the opinion, conservatively speaking, that it would be advisable not to buy it at this time.

N. Y. Ry. Adj. Income 5s

H. A. K., New York City.—New York Railway Adjustment Income 5s are speculative bonds. At your average cost price of about 53, they yield you approximately 5½%. Earnings for the last two years and the present year up to June 1, indicate that the company can show about 3% on this issue with a scant surplus.

In buying an issue of this sort, you sacrifice a certain percentage of the element of safety, and receive in return a higher yield. As the interest is payable only to the extent earned, is non-cumulative, and as the lien of the bond on the company's property is subject to the prior lien of the First Real Estate & Refunding 4s, we do not regard them as a much more desirable form of investment than preferred stock.

Del. & Hudson Convertibles

F. M., New York City.—We consider the new Delaware & Hudson new convertible bonds a sound investment. The record of the road, earnings, dividend and management over a long period of years warrants the faith of investors in this property. In no year since 1900—including 1915—has D. & H. stock failed to sell up to the conversion price (150) of the new bonds. We see no good reason why D. & H. should not sell at 150 or better again when the railroad situation materially and permanently improves.

PUBLIC UTILITIES DEPT.

Interborough Consolidated

How the Readjustment Plan Works Out—Cream of the Future for the Common—Two Ways of Bookkeeping—Advice to Preferred Stockholders.

By PAUL CLAY

UNLESS ALL SIGNS fail, the common stock of the Interborough Consolidated has a great and promising future. This opinion is based, not only upon statistical analysis, but upon the plainly evident plans and intentions of the insiders themselves. These intentions have been disclosed to thoughtful men through the readjustment plan which has just been put through. This plan, while supported by a plausible appeal to the preferred shareholders, is distinctly favorable to the common shareholders, and not even just to the preferred.

Surface Lines Thrown Away.

In order to grasp the main points it is only necessary to look for a moment at the recent history of the Interborough. In the reorganization a few years ago the parent concern got rid of the Metropolitan Street Railway Company, which was the weak member of the whole system. This member passed under the control of the New York Railways Company, and the Interborough is no longer liable for any of its debts. The rich and thriving properties were the subways and the elevated lines, and these were retained. Besides this, the greatest future promise lay in the new subways, and these will be operated by the Interborough Consolidated.

Working for the Common Stockholder.

Prior, then, to the readjustment plan, the situation was that the Interborough Metropolitan Company had got rid of its undesirable properties, and through its subway contracts had placed itself in a position to do great things for the common stockholder. These subway contracts were so devised that before the city could receive any return upon its investment of $66,000,000 in the new subways, this company would be entitled to take out of the net income of the elevated and subway lines about all that it could possibly wish to take out. The items to be deducted before the city obtains any return are the following:.

Rentals and taxes.

Operating expenses, exclusive of maintenance.

12 per cent. of gross for purposes of maintenance.

5 per cent. of gross, subject to change, for depreciation.

$6,335,000 representing surplus income of existing railroads.

6 per cent. on lessee's cost of construction, not over $80,000,00C.

Interest on additional equipment, plus 1 per cent. for depreciation.

Interest on additions to existing roads, plus 1 per cent. for amortization.

Thus the city was kind enough to advance $66,000,000 for building a new subway, and to be satisfied with such crumbs as the company might leave after eating the cake. These deductions, which the company is empowered to

make from the total income of the new and old subways and elevated lines include everything—not only operating expenses, interest charges, taxes, and a lump sum representing the income from the lines now in operation, but also liberal allowances for depreciation, for additions and improvements to existing lines, and for amortization. It is not the practice of corporations in figuring their surplus earnings to make any such liberal deductions.

Immediately after the city had made the company a permanent allowance of $6,335,000, representing the surplus income of its existing lines, this income suddenly jumped to $8,024,580. This looks at first glance as though the city were getting the best of the bargain; but on the contrary the company has authority under its subway contracts to make so many deductions for operating expenses that its future net earnings are very strongly fortified. The sudden increase in surplus income may perhaps be taken to mean that the earning power of the existing lines was really larger than the company was willing to have the city believe until after the latter had committed itself to a disadvantageous contract.

Still, from the point of view of the common stockholder in whose interest the readjustment plan was devised, there remained one fly in the ointment. The prospect of a great increase in earning power was handsome indeed, but the trouble was that preferred shareholders were entitled to 30 odd per cent. in accumulated dividends. This would mean handing over to the preferred shareholders about $14,000,000 of the expected fat profits; but any such contingency has been avoided by the readjustment plan. Now the common shareholder has a firm grip on the rich future of the company.

Sell the Preferred—Buy Common.

Under the readjustment plan there was issued $50,000,000 of new preferred 6 per cent. non-cumulative stock in the place of a like amount of the old 5 per cent. cumulative stock. The preferred shareholders gave up the 30 odd per cent. in accumulated dividends, and gave up also the cumulative feature in exchange for immediate dividends. The future is likely to demonstrate that they sold their heritage for a mess of pottage; for it is more than likely that within a few years the company will prove itself able to pay up this accumulation of preferred dividends out of surplus earnings. Their only remedy now is, in the opinion of the writer, to sell the preferred forthwith, and invest the proceeds in Interborough Consolidated common.

A Worthless Privilege.

As consolation for giving up the cumulative privilege it is provided that should the full 6 per cent. not be paid for any entire year, the preferred stockholders at the next annual meeting shall have double voting power. Under the readjustment plan there are issued 500,000 shares of preferred and 1,000,000 shares of common—so that, assuming that the common shareholders own a very small amount of preferred stock—they would still control the company, even should the preferred have double voting power. Hence this privilege seems likely in practice to be quite worthless.

Who Holds the Common?

Incidentally it is of interest that the preferred appears to have been much more widely distributed among investors than the common. In a recent typical year the average number of shares owned by the preferred holders was only 210 against 260 for the common. Besides this it is well known that the investing public has a decided taste for preferred shares. The common has long been in disrepute not only because of the many receiverships of a few years ago, but also because of the poor showing which earnings made prior to 1914. There has then been every opportunity for insiders to acquire the common stock at very low prices. If this has not been done, it would be very difficult to explain why the readjustment plan was so exceedingly partial to the common stock.

The Interborough Consolidated is merely the Interborough-Metropolitan under another name, and with slight changes, and the latter was nothing but

a holding company. The real thing in the whole system is the Interborough Rapid Transit Company, which owns or operates the elevated and subway lines, and holds a 999-year lease of the Manhattan Elevated Railway, which was a rich earner. It is then, the Interborough Rapid Transit that receives the car fares and does the business. This operating company has paid out in the past only a portion of its surplus earnings to the Interborough Metropolitan Company and has retained the balance in its own treasury.

True Earning Power Exposed.

Because of this arrangement the true earning power of Interborough Metropolitan preferred was neither realized nor understood by the public. The earnings credited to it were only the dividends received, or its portion thereof, from the Interborough Rapid Transit Company; but there should be credited to it also about 97 per cent. of the surplus after dividends retained in the treasury of this subsidiary. The Interborough Metropolitan owned about 97 per cent. of the stock of the Rapid Transit. These earnings retained in the subsidiary's treasury just as truly belonged to the parent concern as though they had been actually paid over. Thus the real earnings on Interborough Metropolitan preferred were 10.2 per cent. in 1914, 6.8 in 1913, and 7.4 in 1912, whereas the earnings shown on the face of the reports were only 3.2, 1.1 and 4.0 per cent., respectively. The holder of this preferred stock unless he were an expert in statistical analysis, could have had little or no idea of the real worth of his holdings.

The 1914 Year.

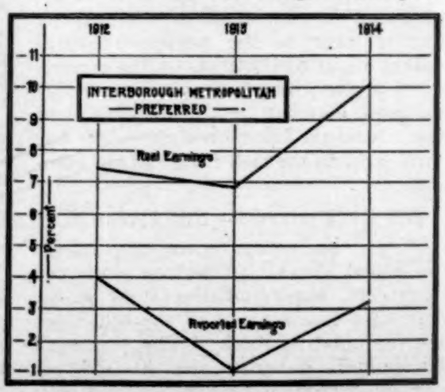
Earnings have been making a remarkably good showing. It is natural enough that for the fiscal year ended June 30, 1914, they should have been large, as the war had not then begun. But it is surprising how well they have held since the beginning of the war. No one need be reminded of the manner in which the New York export business was so paralyzed by the war that West Street was deserted. A year or two more of such paralysis would have made it a cow pasture as it was two centuries ago. Labor was thrown out of employment, and one would suppose that street car travel must have been so reduced as to make an immense hole in the earnings of this company.

Slight Loss for 1915 Year.

On the contrary, for the eleven months ended with May the gross receipts of the Interborough Rapid Transit were $30,744,300 against $30,800,728 the previous year, showing a loss of only $56,429. At first thought this seems strange, but it must be recalled that the laboring classes and the poor who were most affected by the unemployment during the latter half of 1914, and the first quarter of 1915, travel more largely upon the surface lines than do the well-to-do or middle classes of people. Thus it was that while Interborough Rapid Transit made so small a loss in gross revenues, the New York Railways Company, which the Interborough Metropolitan had the forethought to get rid of, made a large loss. For the eight months ended with February, its loss was $405,200, which is at the rate of about $557,000 for eleven months. Probably then the loss of the New York Railways, which normally does about half as much business as the Interborough Rapid Transit, was about ten times the larger. In percentages it seems to have been about 20 times the larger.

Cream of Future to Common Stock

In 1914 the Interborough Metropol-



Real Earnings and Reported Earnings Compared

itan showed a surplus for dividends of $1,890,765, and there should be added to this 97 per cent. of the surplus after dividends of the Interborough Rapid Transit or $2,691,343. This makes total earnings of $4,582,108, which should be credited to the stocks of the parent concern. Thus the preferred earned 10.18 per cent., and the common 1.97 per cent. For Interborough common to earn anything available for dividends is a new idea to the majority of investors; but as a mater of fact if all its earning power had been shown it would have exhibited a small surplus for dividends, not only in 1914 but also in 1913, 1912 and 1910. A careful examination of balance sheets and other statistics convinces the writer that even before the readjustment plan turned over the cream of the future to the common stock, this common had an intrinsic value of about $23.

Estimated Earnings

The figures for the eleven months ended with May indicate that the total surplus earnings which should be credited to the Interborough Consolidated for the year ended June 30 were more than $6,055,200. This is equivalent to 12.11 per cent. on the preferred stock, and $3.27 per share for the common—bearing in mind that the new common has no par value. This power alone ought to give the common stock a present valuation of 30 to 40 dollars per share regardless of its promising future, a factor of considerable weight.

Common a Promising Speculation

In brief, everything has been done for the common. The old Metropolitan Street Railway with its relatively unprofitable business has been gotten rid of. To be sure the Interborough holds some of the securities of the New York Railways Company, which is successor to the Metropolitan Street Railway; but these are held merely as an investment and the parent concern has taken its loss on this investment. The prior claim of the preferred shareholders to about $14,000,000 of back dividends has been wiped off the slate; the cumulative privilege of the old preferred stock has been abolished; a contract has been entered into with the city whereby the company gets everything and gives apparently about what it chooses; and all this seems certain to accrue to the benefit of the common stock. Under these circumstances Interborough Consolidated common looks like *one of the most promising speculations in the public utility field.*

Notes on Public Utilities

American Gas and Electric.—SURPLUS on common stock for year ended June 30, equivalent to 22%. Next directors' meeting may see stock placed upon basis of 2% cash and 2% common stock quarterly dividend basis.

American Public Utilities.—BALANCE for preferred dividend for year ended June 30 totals $349,551 against $375,388 in 1914. Net earnings show $1,311,831 against $980,879 in previous year.

American Railways. — QUARTERLY dividend on common stock reduced from 1¼% to 1%. Falling off of earnings of subsidiaries due to bad business conditions and rainy weather in territory served.

American Pneumatic Service. — CONTRACT which company has with Government for use of its mail tubes expires next June and will probably be renewed for ten years.

Boston Elevated. — AUGUST GROSS gained $27,000 or 2% over August, 1914.

Brooklyn Rapid Transit. — AUGUST gross increased $14,000 as compared with same month last year.

Cities Service.—WILL CONTINUE to develop Indian natural gas fields.

Detroit United Railway.—GROSS FOR seven months ended July 31 gained $237,797 over same period in 1914 and net gained $91,849. Surplus after all charges showed an increase of $36,612.

Detroit Edison Co.—GROSS earnings for July totaled $546,600, an increase of 17½% over July, 1914. Seven months ended July showed gross of $4,277,232, a gain of 18% over same period in previous year.

Edison Co. of Boston.—GROSS earnings crossed $4,000,000 mark for first time in company's history, totaling $4,002,292 for year ended June 30 last, against $3,855,016 for previous year. Net earnings were equal

to 14% on stock as compared with 14% for year previous.

Montana Power.—HAS COMPLETED 120 miles of electrical installation of St. Paul Road and will complete balance within a few months. This will mean increased revenues for the Power company.

Massachusetts Gas Co.—COMBINED net earnings available for dividends of subsidiaries in July were $200,011, an increase of $12,905, or 6.90%, compared with July, 1914.

New York Railways.—ARBITRATORS will decide amount of interest to be paid on New York Railway's adjustment income 5's for six months ended June 30. Amount may exceed $13 on each bond.

Northwestern Electric.—YEAR ENDED June 30 shows balance before depreciation and preferred dividends of $110,200.

Pacific Gas & Electric.—INCREASE IN gross for first seven months of 1915, $534,000, while surplus gained $1,019,000. On August 1 company had but $1,400,000 of first preferred stock unsold.

Standard Gas & Electric.—HAS offered to stockholders $3,750,000 20-year 6% notes at 90 and interest. Plan will not be operative unless $2,000,000 in subscriptions is received.

Toledo Railways & Light.—ELECTRIC Light and Power Department is 23% ahead of last year and artificial gas department shows 50% gain. Street Railways organizations are earning from 2% to 3% ahead of 1914.

Third Avenue Railway.—PRESIDENT WHITRIDGE says that it should be possible to pay a dividend within the next twelve months. Year ended June 30 showed a surplus of $694,043, a gain of $67,039 over 1914.

United Railways of San Francisco.—CALIFORNIA Railroad commission has postponed until January 1, 1916, order for the company to pay first installment of $550,000 a year which was to be set aside from income for renewals and improvements. Company represented it was unable to comply with the order under present state of earnings.

United Gas and Electric.—SOUTHERN subsidiaries have been obtaining new business despite poor trade conditions.

Western Power Corporation.—GROSS earnings for seven months ending July 31 increased $117,000 and surplus after charges showed $452,000 against $338,000 in 1914, a gain of 25%. Continuance at this rate would mean a surplus at end of year of $970,000, or twice preferred dividend requirements.

Western Union.—INCREASED dividend to 5% basis by declaring quarterly dividend of 1¼%.

Public Utility Inquiries

Columbia Gas and Electric 5s

W. P.—Columbia Gas & Electric 1st 5s appear to be a fairly good bond and one in which a business man, accustomed and willing to sacrifice something of the element of safety for the speculative prospects, might invest his money. The factor of safety, that is, the excess of earnings over bond interest requirements, is not sufficient to warrant this bond being classed as other than midway between an investment and a speculation.

American Water Works and Electric

D. H.—The report of the American Water Works & Electric Company for the year ended June 30, last, shows a net income for the year of $478,638. This, added to the net for the three months before the company started its new fiscal year, gave a total to the surplus account $568,607, which was reduced by special charges to $49,152. The policy of the company seems to be that of conservation of resources, as shown by the fact that $232,000 was spent by its subsidiaries for construction, which otherwise would have appeared in the net earnings of the holding company.

Unless this policy is changed, it would seem that the directors are unlikely to do anything in the way of dividends in the immediate future. Such a policy is conservative, in view of the fact that the new company has been running only a little more than a year.

Ohio Cities Gas and Electric

W. K.—As the Ohio Cities Gas & Electric Company has been incorporated only a little more than a year, not much basis is afforded for an intelligent estimate of its stability and possibilities. The company earned its preferred and common dividends last year with a balance of $250,000, but until it has demonstrated its ability over a period of years to maintain its earnings above dividend requirements, it cannot be regarded as a seasoned proposition.

RAILWAYS & INDUSTRIALS

American Beet Sugar

How War Has Cancelled Tariff Workings—Present Position of Company—Tariff Protection in Future a Possibility

By MALCOLM ARMSTRONG

IT IS A FAR CRY from the beet fields of Germany and Continental Europe to the beet fields of California, Colorado, Utah and Idaho, and it is doubtful if even the most far-sighted, when the Kaiser mobilized his myrmidons a year ago, saw in that operation the beginnings of a new era of prosperity for the beet sugar industry of this country. But it now seems that the beet sugar trade of the United States is likely to reap benefits from the world war second only to those accruing to the munitions companies. Among the companies in a position to realize heavily from this favoring turn in the wheel of fortune, the American Beet Sugar Company occupies a foremost position.

This is because of its size, it being the largest beet sugar company in this hemisphere, and also because of its efficient management, solid financial position and sound backing. Incorporated in 1899, the first few years of the company's existence were more or less of a struggle for life. The beet sugar industry was in its infancy in this country, and the high tariff wall reared by the Republican party, had allowed the cane sugar refining companies in the East to obtain a hold on the sugar industry in that part of the country which is unshaken to this day. But the tariff wall held equally well on the Western coast and the freight differentials against the Eastern refiners were such as to keep them from obtaining an airtight hold west of the Mississippi, so that the beet sugar infant managed to breathe.

Many difficulties beset the early beet planters, trouble of obtaining seed, for nearly all had to be imported from Germany, and the problem of raising a beet crop of the right quality for the best results in slicing. Then again the Western farmers of two decades ago, either from habit or inclination, turned naturally to raising of wheat, corn, alfalfa, fruit or other crops with which they were familiar. Part of the activities of the American Beet Sugar, and a very important part, too, has been a campaign to educate the agricultural population to regard with favor the culture of the beet. Sentiment may seem a trifling matter when considering the growth of a great industry, but it has played a most important part in the growth of the Aemrican Beet Sugar Company. For now the raising of sugar beets is a very important and growing industry in most of the western states. In California the sugar beet is the chief crop.

Starting out under more or less unfavorable conditions, with its common stock practically all "water," the American Beet Sugar Company gradually grew into a lusty infant and then into a vigorous youthful corporation. While 6 per cent. has been paid regularly on the preferred stock since 1902, the management wisely put the rest of earnings back into the property, writing off liberal amounts for depreciation and building up an inadequate working capital. Nothing less than a minute examination of the company's books by expert accountants would show how much of the "water" has been squeezed out of the common stock, but it is conservative to

state that close to 50 per cent. of the par value of the common, and maybe more, is now backed by solid assets, the remainder representing earning power. Of the $9,143,982 earned and available for common stock dividends during the last decade, equal to 60 per cent. on the junior issue, only $937,500 has been paid in common dividends. Of the remainder $1,908,465 has been written off for depreciation and $6,298,017 has been added to working capital.

It was not until the fiscal year ended March 31, 1909, that the American Beet Sugar began to display actual evidences of having "arrived." That year showed 6.98 per cent. earned on the common stock, but it was not until three years later that common dividends were initiated at the rate of 5 per cent. per annum. The next year showed 7.31 per cent. earned on the common and the following year, in spite of $653,000, round figures, charged to depreciation and betterments, earnings on the common stock leaped to 10.98 per cent. The following year saw the high water mark in earnings. Depreciation charges claimed $756,972 of profits, but gross sales, barely missing the $9,000,000 mark, an increase of about 100 per cent. in six years, allowed a balance equivalent to 46½ per cent. on the preferred and 13½ per cent. on the common stock. That year (1912) the common stock sold up as high as $77 a share and common dividends were inaugurated at the rate of 5 per cent. per annum.

Then followed the Presidential elections and the advent of "free sugar." At first the beet sugar interests whistled to keep up their courage. The United States could never afford to shut off one of its greatest revenue producers. Besides the beet sugar states had too powerful a congressional representation to permit of such action. But as it became more and more apparent that just such action was more than likely, the sugar markets fell and with them the earnings of the American Beet Sugar Company and the price of its securities.

The table which accompanies this article shows how great was the drop in the company's earnings and explains why in January of 1913, the directors deemed it advisable to suspend common dividends. In 1913 the common stock sold down to 19¾ a share, a plunge of more than 50 points from the high of the preceding year. An unusually large Cuban sugar crop, over 2,000,000 tons, added to the pressure, but the tariff was the main cause of the decline. The tariff enactment fulfilled worst expectations. It declared that on March 1, 1914, a 25 per cent. reduction in the tariff rate should go into effect and that on May 1, 1916, "free sugar" was to become an actuality. In the 1913-14 fiscal year gross sales were impressively large, but the margin of profit was so small that the earnings on the common stock were equivalent to only 2½ per cent.

The beet sugar people foresaw ruin. It was current talk in the trade that the industry would have to be abandoned.

Then followed the war. And the American Beet Sugar Company rose Phoenix-like from the smoke of the international conflict. Within the month after August 1, 1914, refined sugar sold at 7½ cents a pound, an advance of 3 cents a pound. Three cents a pound means an increase in the company's earnings of about $4,500,000 per annum. Cuba, too, showed a reduction in output of 150,000 tons.

American Beet Sugar—Essential Statistics.

Year Ended March 31	Gross Sales	Gross Income	Net Income	% on Pfd.	% on Com.	Surplus
1915........	$8,304,423	$8,479,287	$1,601,643	32.03	8.68	$1,124,654
1914........	8,083,696	8,210,374	644,105	12.88	2.30	152,074
1913........	6,217,746	6,323,132	881,056	17.62	3.87	393,555
1912........	8,932,943	9,005,194	2,325,573	46.51	13.50	518,001
1911........	8,344,792	8,357,012	1,943,659	38.87	10.96	990,295
1910........	6,983,772	7,009,644	1,397,253	27.95	7.32	1,097,252
1909........	7,135,326	7,156,855	1,293,142	31.62	6.98	1,047,742

The American Beet Sugar Company took on a new lease of life. For while it had sold a large part of its 1914-15 production before the spectacular rise in sugar prices, it nevertheless benefited sufficiently from the boom in the sugar market to show net profits for the year ended March 31, 1915, of $1,601,643, equivalent to 32.03 per cent. on the preferred stock and 8.68 per cent. on the common stock. Gross receipts were $8,479,287, or next to the largest on record.

The importance of the foreign situation is indicated by the fact that Great Britain, in normal times, imports about 1,200,000 tons of European beet annually and 400,000 tons of cane.

Reflecting the seemingly miraculous changed position of the company's affairs, the common stock sold up as high as 68¼ on September 2, or within 9 points of the record high price, and preferred stock up to 91, on August 18, a record high price.

It is evident that as long as the war continues the American Beet Sugar Company will continue to prosper. One-half of the world's output is made in continental Europe, where Germany and Austria are the greatest exporting countries. Continuation of the war, beyond next Spring, would delay planting on the continent so that Europe would not be in a position to supply its normal quota of beet sugar for export until 1917.

Immediate prospects, therefore, are very favorable. This year's slicing season, which started about the first of August, is expected to show a total of about 1,750,000 bags. This would be an increase of about 40,000 bags or 4,000,000 pounds over last year. In 1914-15 the company received a fraction of over 4 cents a pound for its sugar, and only 3.8 cents a pound in 1913. It is conservatively estimated that with this year's prices at a cent higher than last year, the company, on sales of 175,000,000 pounds of sugar, should be able to show between 18 and 20 per cent. on its common stock.

Looking beyond the immediate future it appears that the cloud on the horizon is the prospect of "free sugar" next year. The removal of the artificial tariff wall built by the war, accompanied by free sugar, would doubtless affect the company's earnings, but it is stated in quarters usually well informed that there are excellent prospects that the Democratic Congress will retain some duty on sugar, rumor placing that tariff at ¾ to 1 cent per pound. If such a tariff is put into effect, it will not be because Congress has taken pity upon the Louisiana or the beet sugar planters, but simply because, in the parlance of the day, the United States "needs the money." Steadily dwindling imports and consequent smaller import duty receipts, makes it imperative that this country find new sources of revenue.

The American Beet Sugar Company is now in a strong position. Prospects are for another year of very large earnings which should continue as long as the war lasts.

As for future prospects, it has the hope that the industry will be afforded sufficient tariff protection to enable it to show its preferred dividend earned with a substantial balance for its common stock.

When Stocks Are Better Than Bonds

How stocks at present levels compare with certain classes of bonds for safety and income—Purchases for the conservative investor

By HOWARD THOMPSON

THE COMMON IMPRESSION among many people who ought to know better is that stock is stock and bonds are bonds.

Many innocent people have been fooled because a security was offered them under the name of bond, whereas, upon analysis it would prove to be far from as good as a lot of stocks. The word *bond* has had a magic for a long time, but thanks to the educational uplift in financial affairs people are becoming wiser and they realize that you cannot tell a bond by its name.

The common fallacy has been to feel a bond a good security to buy because it was a "bond" and because the company issuing it promised to pay the interest every so often and at the end of a period of time to pay the principal.

But corporations, like individuals, have their hard times and not until comparatively recent times has it been realized by investors that *promising* to do all this and actually doing it were very different. Hence we have the flood of bonds that are always in trouble, whether they be railroad, industrial or other kinds.

The whole truth of the matter is that there are some very poor bonds and very good ones and all shades and degrees between. Then there are also very good stocks and very poor ones. Therefore there must be bonds better than stocks and some stocks better than many bonds. That is our text. Once the investor gets it into his head he will be saved from the delusion and the fools' paradise in which so many live when they have bought a bond. A bond does indeed bind a company to perform the stated obligation, but that does not mean that the company will be able to do so at the time and in the manner expected.

The best hint that this article can convey is to diversify one's investments with a goodly sprinkling of stocks. Get away from the hide-bound idea that bonds are all there is to investment and that the last word in conservatism is in buying the high grade and accepted issues of bonds.

In the first place if the investor buys the bonds with the idea of keeping safe, he may wake up some time to find that he has picked several "lemons" in the crop. What did the buyers of some of our railroad issues think they were getting a few years ago? Something very different from what they have now. One issue in particular, only three years ago, was legal for savings banks in New York State—today it is in the throes of receivership; its sponsors are up in arms to protect their clients, and while the eventual outcome of the mess will be all right, in the meantime the holders see their bonds at slaughter prices. This is not in deprecation of bonds in the least. The writer's training has been as a bond man, but experience has shown that the greatest amount of safety consistent with a reasonable income results from the high grade bonds plus high grade stocks.

Seasoned bonds that have sold on a high investment plane for some years are likely to have the necessary elements of safety—namely strong equity and large margin of safety.

The same may be said of stocks. Why then should not some of the higher grade stocks be included in any well balanced investment list? It is a strange thing to see in the investment schedules of many

TABLE I

Seven Preferred Railroad Stocks of Highest Merit

	Div. Rate	% earned on the stock for last four reported years			
Great Northern	7	8.8	11.7	10.3	8.3
Atchison	5	17.7	19.4	17.2	18.7
Balt. & Ohio	4	15.4	22.6	23.1	21.8
Union Pacific	4	33.3	37	35	40
Chic., Mil. & St. Paul	7	13.4	16	8.6	14.1
Chic. Northwestern	8	54.0	65.5	51.2	56.2
Norfolk & Western	4	44.6	48.2	40.8	32.8

supposed wise institutions—all bonds and few good stocks. The schedule of many an institution today shows a frightful loss from holding too many medium grade bonds. The fetich of bonds has been the source of tremendous losses to institutions all over the land.

Of course, there is this much to be said for that aspect of the matter—that such moneyed institutions with millions of surplus every year can better afford to take the chances than the individual investor; but from the scientific investment standpoint they could have saved millions of dollars for their Profit and Loss account by a wise distribution of funds among high grade stocks.

Medium grade bonds, of course, yield about as much as high grade stocks. Medium grade bonds cannot be put to the test that many of these stocks will stand. This class of bonds on the whole has a narrow margin of safety in earnings and oftentimes a poor equity in other ways. On the other hand these stocks have a big margin of safety in earnings and a big equity. On a "show down" many of these stocks will show up much better than the bonds selling on the same basis of income. The difference is a difference of legal position in the way of claim. But what does the stockholder care for this when the margin of earnings available for his dividends for five years or more back averages 20 per cent., 30 per cent., or higher, while his stock calls for 8 or 10 per cent. possibly.

For the proof of these statements we shall briefly study five tables of stocks wherein the figures will be more convincing than written argument. We shall have two groups of railroad stocks, two groups of public utility stocks, and one of industrials. In the industrials we have omitted the common stocks, good as some are, because the margin of safety fluctuates so badly and the showing over a period of years is so erratic that it would be impracticable to match them against bonds. In fact we are forced to admit that the great majority of industrial *common* stocks have a great element of speculation in them and that their dividend cannot be regarded as safe for three years in succession, al-

TABLE II

Public Utility Preferred Stocks on Which Dividend Requirements Are Earned from Three to Ten Times

	Div. Rate	% earned on the stock for last four reported years			
Pacific Gas & Elec	6	31.7	29.6	26.4	22.9
Amer. Gas & Elec	6	47	41	37	30
Amer. Lt. & Traction	6	30	30	29	28
Elec. Bond & Share	6	22.7	23.5	35	35
Twin City Rapid Tran	6	62.9	58.3	56.9	55.6

though many of them have paid continuously for longer periods.

Beginning with Table I, we have a group of railroad preferred stocks that are unimpeachable. Seasoned investments that they are, they deserve the confidence of investors more than the second rate bonds that on paper show seem to have a large claim to safety. The figures speak for themselves. With the exception of Great Northern and St. Paul we have a record of dividends earned from three to eight times over along with a seasoned property, and an intrenched property where the earnings cannot to all appearance fall off seriously so far as the margin of safety for the preferred stocks is concerned.

Great Northern, to be sure, does not

ing of dividends—that would be an anomaly, since you cannot make big earnings over years and let your plant run down.

What makes this exhibit of utility corporation earnings all the more impressive is the fact that these concerns are peculiarly stable in their earnings. It would take nothing short of a cataclysm to break down the margin to the been somewhat of a Hill policy not to show great amounts available for dividends, but to "plow" the earnings, as they come along, back into the property. So that if the investor wishes to draw the line on this issue because it is virtually a common stock (there being only one kind out) he may do so as in comparison with bonds. But it would be

TABLE III

A Group of Industrial Preferred Stocks with Large Margins of Safety

	Div. Rate	% earned on the stock for last four reported years			
American Smelt. & Ref.	7	13	14	17	*
Amer. Sug. & Refining	7	11.3	6.9	12.6	17
Central Leather	7	14.7	13.2	17.6	.89
International Harvester, N. J.	7	14.2	23.8	.....	.....
U. S. Steel	7	6.5	22.5	15.0	15.25
General Chemical	6	15.1	16.5	15.9	16.2
National Biscuit	7	18.2	20.7	18.3	18.8

make such a good showing and is virtually a common stock, although it goes by the name of preferred. It must be remembered, in connection with this property, that enormous amounts of money have been spent on the property, and immensely valuable equities have been created, so that if the management of the property chose to do so they could make a much better showing. It has for high grade stocks it could be built on these choice issues of preferred stocks of our firmly established railroads.

Passing to Table II we have a still more startling exhibit. Here is a dividend earned nearly eleven times over—not for one year, when accounts could be cooked, but every year back for a half dozen. And there is another earning eight times its dividend in just the same regularity. All this does not mean that the properties are neglected to make a good show-

better to draw the line on St. Paul preferred than on Great Northern, for in an exhaustive analysis Great Northern would prove better.

As to the others "nuf sed." The figures of margin of safety in earnings make many a high grade bond, so-called because it has a good margin of safety, look like a rank speculation in comparison. If an argument were to be brought required dividend. You would have to search far and wide to find five bonds of any description to compare with these five preferred utility stocks.

In Table III we get a somewhat different story. We must "soft pedal" in comparing good bonds with these stocks. They have a fairly consistent margin of safety right along, but in relation to the amount of dividend required there is not the overwhelming margin just seen in the Utility stocks. Nevertheless, it is

only the best bonds that show up better. Many a bond selling below a 5 per cent. basis and many a bond legal for investment in the best savings banks in the country cannot stand, by comparison, to General Chemical and National Biscuit preferred stocks.

On the whole, these stocks are far better than many middle class bonds selling on a much lower basis. The earnings of these companies fluctuate badly in some instances like Central Leather and Steel —in fact in all but the first two mentioned, but in most cases the greatest fluctuation is not enough to get down to a dangerous point for the safety of the preferred dividend.

bonds that yield less to the investor and whose equity and position in the time of more there is always the possibility of a trouble is extremely doubtful. Furtherhandsome profit in the appreciation in price of these issues, since when there is any substantial movement in the market these stocks lead the way. It is easy to get ten to twenty points on some of these stocks every two or three years; and the more the stock rises the more safe it becomes because the advances in price usually occur during the betterment in earnings and position of the stock.

In a general way it should be said that the dividend rate on these stocks is firmly intrenched and a sprinkling of these

TABLE IV

Railroad Common Stocks whose Dividend Rates Are Strongly Intrenched

	Div. Rate	% earned on stock for the last five reported years				
Pennsylvania	6	7.2	8	8.17	7.47	8.25
Atchison	6	7.34	8.62	8.19	9.30	8.89
Norfolk & Western....	6	8.68	10.17	9.88	8.93	11.71
Union Pacific	8	13.10	15.14	13.88	16.61	19.17
Del. & Hudson.........	9	9.68	16.42	12.96	12.32	12.54
Chic. & Northwest.....	7	7.93	9.90	7.41	8.32	8.08
Del., Lack. & West....	20	24.35	32.25	38.76	38.76	43.7

Certainly they are infinitely more desirable than reams of bonds that find their way into the strong boxes of supposedly conservative investors, and they look like gold dollars to fifty-cent pieces in comparison with some of the miscellaneous flotsam and jetsam that gets into the savings banks of many of the states of the Union where the banks are not hedged about by very strict laws.

In Table IV we have another exhibit worth while, although here we would also "soft pedal" in making a comparison with the highest grade bonds. On the figures, we have to say that many of the highest grade bonds have more protection in margin of safety in earnings, but as against junior, refunding, consolidated and general issues on the whole these common stocks of the best railroads in the country win out. Who would not rather have Atchison, Pennsylvania or Norfolk & Western, three premier properties, than half of the middle grade among an investment list will never give its owner cause for worry or regret; indeed it will be elation if he is alert and keeps in touch with the changes in the market price for his securities.

In concluding with Table V we have another group that looks just about the same as the railroad common stocks, but in reality is better in a pinch. It is better because the stability of earnings is more in utility corporations like the ones mentioned than even in such railroads as in the group.

In fact there is an unknown element that possibly makes these stocks even better than the railroad common stocks and possibly as good as many of the preferred issues of the railroads. Practically all of these stocks are the securities of holding companies.

Now the holding company does not disclose the real strength of its position because it does not call forth from its subsidiaries all the dividends it could

get. Instead, it leaves buried in these outside companies equities that may spring to life at any time in the form of bigger dividends in one way or another.

So it could be urged that some of these common stocks are far better than the common stocks of the rails and equal to the preferred stocks, and there would be no way to disprove it. Consolidated Gas, for instance, could pay much higher dividends, but it chooses to leave some fat hidden equities in its subsidiaries.

This story could be lengthened indefinitely, indeed, a book could be written on the point under discussion. Enough has doubtless been said to awaken the idea in the mind of any alert and progressive investor interested.

TABLE V

Utility Common Stocks of Seasoned Investment Value

	Div. Rate	% earned on the stock for last four reported years			
Amer. Lt. & Trac.	10 and stock	23	25	26	28
Amer. Gas & Elec.	8 and stock	19	16	17	16
Detroit Edison	7	10.5	9.6	7.8	8.2
North American Co.	5	6.43	7	7.16	6.23
Consolidated Gas, N. Y.	6	8.4	8.5	9	8.9
People's Gas	8	8.55	8.25	7.54	8.9
Commonwealth Edison	8	9.11	8.94	9.10	12.19
American Tel. & Tel.	8	9.38	9.55	9.58	8.64

Earnings and Dividends

Margin of Safety for Dividends

Baltimore & Ohio.

WHEN Baltimore & Ohio seemed on the verge of cutting its dividend below 5 per cent., having reduced it from 6 per cent. because of poor business, the stock sold in the sixties. Today it is 20 points higher. The reason is simple. Suddenly in May the earnings of the company took a strong turn for the better and while the road shows its 5 per cent. dividend just about earned in the year ended June 30 last, since that time the earnings have come along so strongly as to suggest a much better showing in the current fiscal year.

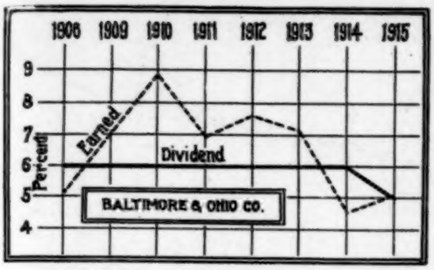
With the stock selling around 82 the price seems about to have discounted improvements in earnings. There is only one contingency that would seem to justify a much higher price and that is such enormous earnings that the management could properly pay 6 per cent. again.

There is a large doubt that the management will rush to declare 6 per cent. for a while. Another six months will at least have passed by before earnings will show whether such action is expedient or not. Of course, if it were pretty firmly established that the trend of earnings is upwards for a long time ahead the situation would take on another aspect.

Baltimore & Ohio is a good property and well maintained. When it shows its dividend earned that means it really is earned and that the property has not been skinned to keep up a front.

One of the big factors in its declining earnings over the past eighteen months was the drop in the coal business. Now that this business is reviving not only in local consumption but in the prospects for foreign shipments there is good reason to believe the B. & O. will do well thereby.

At any rate on an investment basis the stock should not sell any higher than at



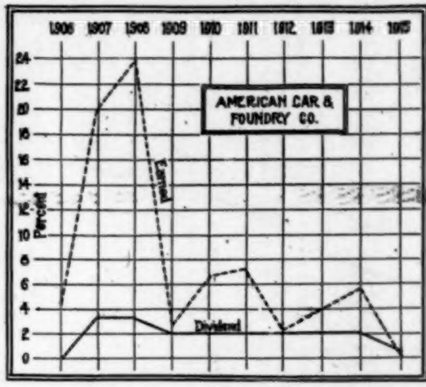
present on current earnings and dividends. Speculative buying may put it higher, but its earnings ought to show a few more months of steady improvement before heavy buying for an advance in the dividend rate may be wisely made.

American Car & Foundry

ON the basis of past performance American Car & Foundry common stock would look like a poor specimen of an investment, if we took only last year as a criterion. But if we look at the year previous we have a more cheerful picture. If we go back to 1908 we have a wonderful situation. It will be remembered that 1908 was a big railroad year and the roads bought cars heavily. It is about time for another such a revival of equipment buying.

If it comes the company may show for the next fiscal year to end early in 1916 something like 10 per cent. earned on its common stock. If this equipment buying wave does not come the company will have a good showing in earnings for the reason that it is working on war business.

If by any chance we should have such a railroad year ahead as 1908 then the year ending early in 1917 will probably



be a year of big earnings and the time to discount those large earnings should be at least a year ahead. Very likely the stock will have its big rise months before any such buying wave reaches its limit.

At any rate the company is in a fair position to make a lot of money in the next two years. If the equipment buying wave sets in strongly there will be good basis for expecting this stock to sell well above its previous high price of 76½. It has already sold at 73½, which seems quite enough at the moment in the absence of indications of sustained equipment buying.

Just what the company will earn is nothing more than a guess. Perhaps some of the management could make a fairly accurate guess and perhaps not because the war order business is a new proposition.

The stock at present prices is high for the dividend being paid, but it is not on present but on prospective conditions that the investor must base his action. If the railroads come heavily in for equipment, this stock is a purchase.

IN *speculation*, the possibilities of appreciation are without limit; in *investment*, as in a bond, they are curtailed by the return at maturity of face value only.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand well up in this table, because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries.

Railroads	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1909.	1910.	1911.	1912.	1913.	1914.	1915.	Present price.	Earnings last fisc. year on present price.	
Colorado & South'n, 1st pfd.	0	0	25.9	34.7	27.0	17.6	19.6	4.8	*12.1	50	24.2	
Twin City Rapid Transit com	6	6.4	9.9	10.9	11.0	11.3	13.0	12.8	....	94	13.6	
Minneapolis & St. L. pfd..	0	0	—2.4	1.9	1.5	—11.9	7.7	—1.0	*4.0	31	12.9	Soo Line denied deal to take over this road.
Mo., Kansas & Texas pfd.	0	0	7.2	8.0	13.6	0.1	17.8	4.1	*14.9	13	11.5	Reorganization plan preparing.
Atchison com	6	5.9	12.1	8.9	9.3	8.2	9.5	7.4	*9.3	101	9.2	
Brooklyn Rapid Transit....	6	7.1	4.2	5.6	6.8	8.3	9.2	8.7	7.4	84	8.8	Earnings show increase.
Chesapeake & Ohio com...	0	0	6.4	10.0	5.1	6.8	5.2	4.7	*4.2	48	8.7	$15,000,000 earnings to go into property by 1917.
Lehigh Valley com........	10	7.0	15.4	23.0	16.5	13.2	16.9	12.5	12.1	143	8.5	
Union Pacific com.........	8	6.2	19.1	19.2	16.6	13.8	15.1	13.2	11.0	129	8.5	
Great Northern pfd........	7	5.9	8.3	8.5	8.3	10.3	11.0	8.2	*9.5	118	8.1	Has large equities in C., B. & Q. and Canadian extensions.
Norfolk & Western com....	6	5.5	8.7	11.6	8.9	9.9	10.6	8.9	8.8	109	8.1	Controlled by Penna.
Atlantic Coast Line com..	5	4.8	9.4	12.0	12.8	12.1	12.0	10.7	*8.3	104	8.0	Dividend reduced from 7%.
Delaware & Hudson com..	9	6.4	12.2	12.5	12.3	13.0	14.5	10.8	....	139	7.7	To issue $14,451,000 5% 20 year refunding convertibles.
Southern Pacific	6	6.7	10.2	13.0	9.6	7.9	9.8	7.5	*6.7	89	7.5	Gov. oil land victory in Calif. doesn't affect.
Northern Pacific	7	6.5	10.7	9.0	8.2	7.9	8.7	7.9	*7.5	107	7.0	Large equities in lands and C., B. & Q.
Del., Lack. & West.......	20	4.9	52.8	35.4	31.8	33.2	32.0	28.3	....	412	6.9	
Minn., St. P. & S. S. M. com	7	5.9	8.8	15.7	5.3	11.1	14.7	7.8	*8.3	119	6.9	Pfd. and com. share above 7%. Contr. by Can. Pac.
Reading com............	8	5.3	13.2	16.1	13.8	12.5	22.7	13.4	*10.0	149	6.7	Including betterments. Suit filed against control of Jersey Cen.
Baltimore & Ohio com....	5	6.9	7.1	8.9	6.9	7.6	7.2	4.5	5.4	83	6.5	
Canadian Pacific	10	6.5	8.6	16.0	17.3	19.6	19.6	14.5	10.0	154	6.4	Earned 11.35% on common in 1914-1915.
Illinois Central	5	4.8	7.4	7.1	10.3	3.2	6.0	7.4	*6.7	104	6.4	Div. reduced from 7%.
Chicago & Northwest. com	7	5.6	11.4	7.7	8.0	7.1	9.6	7.9	*7.8	126	6.2	Com. div. being earned easily.
Pennsylvania R. R.........	6	5.5	11.0	9.3	8.6	9.3	8.9	6.8	....	110	6.2	Enjoying large freight tonnage.
Chicago Gt. Western pfd.	0	0	....	1.2	1.9	0.4	2.8	2.0	*1.7	30	5.7	
Louisville & Nashville....	5	4.2	14.3	17.3	14.2	15.9	12.7	9.3	*6.4	119	5.4	Contr. by Atlantic Coast. Div. reduced from 7%.
Southern pfd	0	0	6.0	9.6	11.1	11.3	11.8	8.1	2.7	51	5.3	Last div. passed.
Buff., Roch. & Pitts. com	4	4.6	6.3	7.3	8.0	8.4	10.2	6.0	4.0	87	4.6	Div. recently reduced from 6%.
Erie 1st pfd.............	0	0	6.1	12.1	11.2	7.0	15.3	1.4	*2.2	48	4.6	Entitled to 4%. Gross earnings close to high record.
Kansas City Southern com.	0	0	3.4	2.2	2.7	0.2	2.7	2.9	*1.2	26	4.6	
N. Y. Central............	5	5.4	7.7	6.0	5.7	6.2	5.9	4.0	....	93	4.3	Prospects for big year.
N. Y., Ont. & West. com .	0	0	2.3	2.3	2.0	0.8	2.1	1.1	*1.0	27	3.7	
Chic., Mil. & St. Paul com	4	4.7	7.2	8.0	7.1	1.6	8.6	6.3	*2.1	85	2.5	Not earning common dividend.
N. Y., N. H. & Hartford com	0	0	7.4	10.3	7.1	8.5	5.0	0	*1.5	67	2.2	Gov't breaking up its control of subsidiaries.
Pitts., C. C. & St. L. com.	0	0	9.8	6.1	7.0	10.9	—2.0	0.9	....	71	1.3	Pfd. and com. share above 5%. Contr. by Penna.
St. Louis, S. W. pfd.....	0	0	2.9	4.1	6.1	8.2	9.4	1.7	—1.4	36	0	
Seaboard Air Line pfd....	0	0	....	....	7.6	3.7	7.3	6.9	*0	33	0	New financial plan.
Missouri Pacific	0	0	1.3	3.3	—6.3	—2.4	1.9	0.1	*0	4	0	In throes of reorganization.

*Estimated.

Industrials

	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1909.	1910.	1911.	1912.	1913.	1914.	1915.	Present price.	Earnings last fisc. year on present price.	
Va.-Carolina Chemical com	0	0	7.1	10.4	3.1	3.3	0.5	3.4	7.6	36	21.1	Pfd. divs. being paid in cash again.
Amer. Agricul. Chem. com.	4	6.6	7.5	10.4	9.1	7.3	5.2	7.7	11.0	61	18.0	Earned 10.97% on common 1914-1915.
Distillers' Securities com..	0	0	2.2	2.3	3.1	1.5	1.2	2.3	4.6	26	17.7	Sold its holdings Ind. alcohol stock.
U. S. Rubber com........	0	0	4.0	7.8	2.2	6.3	9.8	8.0	....	50	16.0	Div. on com. passed to conserve cash.
Central Leather com.......	3	6.8	6.3	—2.1	—5.1	8.6	5.2	6.4	....	44	14.5	War orders big.
General Motors com.......	0	0	....	....	15.7	17.3	38.8	37.5	....	263	14.3	Stock melon expected soon.
U. S. Realty & Imp.......	0	0	9.2	9.7	9.4	8.3	9.2	8.2	5.0	35	14.3	Paid 1% div. Feb., 1915.
Am. Malt Corp. pfd......	2	7.4	6.2	3.0	8.8	9.3	4.6	3.7	....	27	13.5	Divs. in arrears 26%. Stockholders to vote on dismissal of directors.
Am. Beet Sugar com......	0	0	7.0	7.3	10.9	13.5	3.9	2.3	8.7	65	13.4	Expects large earnings.
Inter. Paper pfd.........	2	5.1	2.7	4.5	5.3	5.4	4.4	5.1	....	39	13.1	6% cum. div. in arrears.
S. S. Kresge com..........	6	4.4	....	....	....	8.7	14.7	20.4	....	160	12.8	
Inter. Harvester (N. J.) com	5	4.7	17.8	14.8	14.2	15.2	14.5	13.4	....	106	12.6	
Union Bag & Paper pfd..	0	0	6.2	5.4	5.5	5.3	1.6	1.7	3.3	27	12.2	Business bad.
Woolworth, F. W., com..	7	6.6	....	....	....	8.9	11.0	10.7	....	106	10.1	
American Can pfd.........	7	6.6	6.7	6.8	7.1	14.2	9.7	10.7	....	106	10.1	Arrears 8¼%. Gov't suit pending. 1915 expected best ever.
Bethlehem Steel com......	0	0	—1.6	6.5	6.7	6.9	27.4	30.6	....	320	9.6	
Sears, Roebuck com.......	7	4.5	18.4	20.5	17.0	19.3	21.2	14.5	....	155	9.4	Stock div. 50% com. Mar. 1915.
Corn Products pfd........	5	6.1	8.2	6.9	7.0	6.8	7.6	7.7	....	82	9.4	Divs. in arrears.
North American..........	5	6.9	6.0	6.2	6.2	7.2	6.7	6.4	....	72	8.9	Controls St. Ry. & Elect. Light Cos. in No'west.
Utah Copper (par $10)....	30	4.6	29.5	34.6	39.7	53.5	50.7	53.8	....	66	8.1	Making good profits.
Pacific Coast com.........	4	4.8	5.3	8.8	7.2	6.2	6.6	3.6	....	83	8.0	Div. on 2nd pfd. and com. reduced from 6% to 4%.
National Biscuit com......	7	5.8	7.4	7.7	9.8	10.0	9.6	11.7	9.5	120	7.9	Business only fair.
Chino Copper (par $5)....	60	6.8	....	....	....	50.6	70.3	68.8	....	44	7.8	Earning $8 or $9 per share.
Pacific Mail..............	0	0	—1.7	—1.1	—1.0	—0.1	0.1	1.5	2.4	31	7.7	Expected to dissolve before Dec. 31.
American Tel. & Tel......	8	6.5	9.0	10.4	10.0	9.3	9.6	9.4	....	123	7.6	Large equities in sub. co.'s earnings. Will cut construction program greatly.
People's Gas L. & C......	8	7.0	8.9	9.0	8.9	7.5	8.2	8.6	....	115	7.5	
Ray Cons. Copper (Par $10)	15	6.8	....	....	2.1	13.3	18.5	16.5	....	22	7.5	Div. resumed, Earnings good.
Am. Smelting & Refin. com.	4	4.9	7.7	7.1	9.1	10.1	7.5	6.0	....	81	7.4	Doing a big business.
Western Union...........	5	6.6	5.8	5.7	5.4	4.0	3.2	5.4	....	76	7.1	Earnings this year will be about 5½% on stock.
General Electric..........	8	4.7	7.4	16.7	14.5	16.2	12.9	11.1	....	171	6.5	Working high capacity. Big war orders.
National Lead com.......	3	4.7	6.2	4.3	3.6	3.8	3.6	3.7	....	64	5.8	Earning dividend.
Tenn. Cop. (par $25).....	12	5.4	6.8	8.9	8.1	21.9	19.3	13.0	....	56	5.8	Large earnings.
Pullman.................	8	5.0	10.9	11.6	9.3	8.7	9.3	9.0	....	159	5.7	Abnormal amounts charged to depreciation.
Consol. Gas. (N. Y.).....	6	4.8	6.7	7.4	7.6	7.5	7.2	7.1	....	126	5.7	Sub. cos. have large undistributed surpluses.
Anaconda (par $50).......	8	11.4	7.1	7.0	7.5	14.3	10.6	7.8	....	70	5.6	Par recently changed from $25 to $50.
American Linseed pfd.....	0	0	5.8	4.5	2.6	—2.8	3.0	1.8	....	34	5.3	Earnings reported better.
Pittsburgh Coal pfd......	5	5.0	3.0	7.2	5.1	7.5	10.1	5.1	....	101	5.0	Refinancing plan under consideration.
General Chemical com....	6	4.1	14.4	15.6	15.5	14.4	13.4	13.3	....	290	4.6	Has big business account war.
Westinghouse Electric com	4	3.5	....	7.6	12.3	6.2	8.2	10.8	4.7	115	4.1	Large war orders received. Rearranging its finances.
Republic Iron & Steel pfd	7	6.9	8.1	11.7	7.8	8.9	12.4	4.1	....	101	4.1	Business much better.
American Cotton Oil com.	0	0	10.4	6.8	—1.2	6.5	3.4	2.0	....	50	4.0	Controls 17 sub.-companies.
Am. Sugar Refining com..	7	6.4	3.9	3.8	9.6	8.7	1.9	4.3	....	109	3.9	Helped by war.
American Locomotive com.	0	0	—3.1	1.3	7.3	0.5	17.7	1.3	....	53	2.5	Expects big year.
Am. Hide & Leather pfd.	0	0	11.2	—5.6	0.8	3.2	3.6	0.8	7.4	37	2.0	War orders big item.
U. S. Cast Iron Pipe pfd.	0	0	1.2	4.4	3.9	4.2	4.7	—0.5	0.6	39	1.5	Business picking up.
Sloss-Sheffield com	0	0	6.6	2.0	—0.6	0.8	2.1	0.2	....	53	0.4	Last div. on pfd. in scrip. Cash being saved.
Am. Car & Foundry com.	2	3.0	2.6	6.6	7.1	2.5	4.1	5.5	0.1	67	0.1	Getting war orders.
Pressed Steel Car com...	0	0	7.7	5.5	0.1	0.8	10.5	0.1	....	61	0.1	Getting big war orders.
United States Steel com..	0	0	10.5	12.3	5.9	5.7	11.1	—0.3	....	75	0	Gov't lost suit. Large earnings on com.
Am. Steel Foundries com.	0	0	0.1	6.1	—1.5	4.6	6.1	—1.4	....	52	0	1914 very poor year. Deficit $575,162.
Colorado Fuel & Iron com.	0	0	2.1	4.0	3.2	4.8	4.6	—3.1	....	45	0	Improved steels conditions.
American Woolen com...	0	0	5.2	2.2	2.1	2.1	—19.9	0	....	44	0	Earned whole 7% div. on pfd. in 1st 6 mos.
Railway Steel-Spring com.	0	0	5.3	6.0	0.3	5.8	1.3	—4.2	....	38	0	1914 bad year. Deficit after pfd. div.
Nat. Enam. & Stamp com..	0	0	1.1	1.0	1.1	—1.6	1.9	—0.3	....	26	0	War order stock.

Investment Digest

Allis Chalmers.—MILLS RUNNING 75% of capacity. Orders on books Sept. 1 estimated at $8,000,000.

American Agricultural Chemical.—REPORT FOR year ended June 30 shows 10.97% on common stock against 7.67% in 1914. Company has war demand for all sulphuric acid it can sell.

American Beet Sugar.—RELIABLE estimates to the effect that the company may show perhaps as high as $18 or $20 per share on its common stock this year.

American Can.—GOVERNMENT HAS filed brief in dissolution suit against company in U. S. court at Baltimore. Brief alleges company still controls the greater portion of can trade of this country.

American Hide & Leather.—GROSS sales for year ended June 30 total $19,092,483, largest on record except 1913. Surplus for dividends equal to 7.65% on preferred stock. Earnings for current quarter compare favorably with March quarter, which were at rate of 12% per annum on preferred.

American Locomotive.—GROSS SALES for year ended June 30 under $10,000,000 and were a low record. Operations averaged 15% of capacity. Company will show loss of $1,250,000 before payment of interest charges and dividends. Dividends and note interest will make total deficit about $3,250,000.

American Steel Foundries.—STILL negotiating for war orders. Will reopen Granite City plant employing 1,000 men.

American Telephone & Telegraph.—HAS cash balance of about $35,000,000. In first seven or eight months of 1915 gross income increased about 4½% and operating expenses gained 3%.

American Tube & Stamping.—MAY readjust capitalization, so that preferred stockholders may receive part or all of that 87½% accumulated dividends. Earnings this year estimated at rate of $500,000, which would meet interest charges and leave over 22% on common stock.

American Woolen.—HAS APPLIED to N. Y. Stock Exchange to list Guaranty Trust Co. of New York and Old Colony Trust Co. of Boston interchangeable certificates of deposit for $40,000,000 preferred and $20,000,000 common stock. Plants operating at 85% of capacity and preferred dividend is being earned with substantial balance for common.

Atlantic, Gulf & West Indies.—NET earnings of $1,500,000 for six months to June 30 equal to best previous year in company's history. Year as a whole should show better than $12 per share. July net will make another large comparative increase.

Baldwin Locomotive.—HAS CLOSED additional foreign contracts, reported to total $40,000,000. Gross foreign business on books estimated in excess of $100,000,000.

Bethlehem Steel.—LABOR UNIONS estimate company's profits for next five years at $55,000,000 on the $225,000,000 war contracts on hand. Schwab reported to have told friends he expects to live to see Bethlehem common sell at $1,000 per share.

Cambria Steel.—NEW RECORD in output and earnings expected for last six months of this year. Has obtained 60,000-ton rail order from Russia and another 11,000 car axles war order.

Canadian Car.—REPORTED about to close contract valued $52,000,000 with Russian government for 3,000,000 shrapnel and high explosives shells.

Continental Can.—CURRENT BELIEF that dividends on common will be maintained at rate of 5% per annum. Continuation of present earnings likely to mean stock dividend or higher cash distribution

Cramp Shipbuilding.—GERMAN interests have not obtained control. Will spend $1,000,000 in plant improvements. Understood that government officers have asked company to reserve space in its yards for new naval vessel which Congress is expected to authorize.

Crucible Steel.—NEW HARRISON plant to start about middle of this month. Has war order for high explosive shells valued at $10,300,000, and is under contract to furnish rifle barrels for Westinghouse company.

Driggs Seabury Ordnance.—IS negotiating for war orders understood to total between $20,000,000 and $30,000,000. Profits will be sufficient to call in $1,500,000 bonds and leave substantial balance for common after preferred dividends.

Electric Storage Battery.—UNDERSTOOD to have closed additional contracts with Submarine Boat Corporation. Reported in New York banking circles that the two companies will be merged.

Ford Motor.—JULY AND AUGUST production handicapped by difficulty in arranging deliveries of steel and other materials on account of demand arising from war orders. Present production rate more than 1,000 cars a day.

General Electric.—OPERATING at 75% of capacity. War orders total $34,000,000 of which $4,500,000 has been sub-let.

General Motor.—NET profits for fiscal year ended July 31 estimated at 45%. Expectations of stock and cash dividends in near future.

B. F. Goodrich.—NET PROFITS of first sixth months of current year total $4,000,-

000, equal to 5% on common. Certain banking interests expect resumption of dividend at rate of 4 or 5% at November directors' meeting or first meeting in 1916.

Guatanamo Sugar.—REPORT FOR year ended June 30 shows 42% or 21 per share on stock. Company has listed 60,000 shares on New York Curb.

Hall Switch & Signal.—RECEIVED $1,000,000 shell order.

Hendee Mfg. Co.—AT POINT of closing contract with foreign government for 10,000 motorcycles. Company planning to put low-priced motorcycles on market.

Illinois Steel.—ALL BUT ONE of company's 25 blast furnaces are in commission.

International Agricultural.—MAKING profits of $7.00 per ton on sulphuric acid and may show between 5 and 10% on preferred stock this year.

International Motors.—RE-ORGANIZATION of company likely.

International Nickel.—HAS APPLIED to New York Stock Exchange to list $3,319,400 6% preferred, $6,382,300 common, $5,393 voting trust certificates preferred and $31,649,200 voting trust common certificates.

International Steam Pump.—ATTORNEYS for protective committee of preferred share holders has issued circular charging that Benj. Guggenheim, one of the controlling interests of the corporation and who was lost on the Titanic, received $8,000,000 stock of the corporation for the Power & Mining Machinery Co., worth little more than $1,000,000. Circular states entire organization is effected at expenses of preferred stockholders.

S. S. Kresge.—VICE PRESIDENT says no change in 6% common dividend rate this or next year. Rumors of extra stock or cash dividends untrue. Sales for first eight months of this year show small gain.

Lackawanna Steel.—MILLS operating at full 1,200,000 tons annual capacity. Company considering manufacture of aniline dyes.

Montgomery Ward.—AUGUST SALES hardly maintained average increase for previous seven months, estimated at about 20%.

Maxwell Motor.—OUTPUT this year expected to exceed early estimate of 60,000 cars, and maybe sales will reach 75,000 cars.

National Fireproofing. — CANADIAN Government has opened negotiations to use company's plant for manufacture of war munitions.

New York Air Brake.—BANKING interests believe company will earn par value of its $10,000,000 stock in 1915 and also in 1916 from business in sight. Company is closing order for 500,000 shrapnel cases valued at about $1,400,000.

Pope Manufacturing Co.—HOLDERS of $1,600,000 notes and paper will receive final dividend in settlement of about 38%, making total amount realized between 91 and 92c. on the dollar.

M. Rumely.—RE-ORGANIZATION plan will assess preferred stockholders $17 a share and common stockholders $9 a share. New Company will have $3,500,000 10 years 6% sinking fund debentures; $12,500,000 6% preferred stock cumulative after Jan. 1, 1919, and $13,750,000 common stock. Total of company's war order business is but a few hundred thousand dollars.

Studebaker.—CONTROLLING interests reported to have checked pool operations in stock by selling part of their holdings.

Southern Cotton Oil.—HAS HAD satisfactory and fairly remunerative year. Shipments held up for a long time, but most of foreign contracts were filled.

Steel Company of Canada.—EARNINGS of over 12% on common after 3½% back preferred dividends, indicated for year. Is one of the largest producers of munitions in Canada.

Submarine Boat.—CHINESE officials recommended their Government to order 100 submarines. Exclusive of this order sufficient business has been booked to assure net earnings of approximately $19,000,000, equal to $20 per share on stock outstanding. Management plans to pay dividends at rate of $6 per annum next January.

Texas Company.—EARNED 21.31% on stock after charging $5.50 per share for reserve in year ending June 30 last. Present $10 dividend rate regarded as firmly established.

Tennessee Copper.—PLANS TO BE a producer of chemicals on large scale. Directors considering issue of $2,000,000 to $3,000,000 6% bonds to take up maturing issues and to provide working capital. Copper profits alone exceed interest and dividend requirements.

Industrial Alcohol.—HAS SOLD 1916 output at prices insuring net profits of 30% on stock. Is erecting plant at Buffalo to manufacture newly discovered by-product which can be used by powder-making concerns.

United Drug.—HAS PAID QUARTERLY dividends of 2% on common and 1¾% on preferred, and retired 2% scrip dividend with 6% interest declared on common a year ago.

Union Bag & Paper.—PAPER TRADE much depressed. Volume of business slight-

ly greater than year ago but prices low and earnings small.

Union Switch & Signal.—WAR ORDERS, mostly on shells, on books, exceed $12,000,000. War order profits estimated at 50% on stock.

United Fruit.—ELEVEN MONTHS ending with August show earnings of between 14% and 15% on $33,619,000 stock. Last month was second best August in company's history. Fiscal year should show nearly $2,700,000 above dividend requirements.

United States Steel.—THIRD QUARTER'S net earnings estimated at about $45,000,000 which would make a total of $85,000,000 for nine months, or sufficient to provide all appropriations, charges and preferred dividends for an entire year. Final quarter's earnings of $50,000,000 would mean 10% on common stock. Continuance of good business will mean record earnings in 1916. Unfilled orders August 31 totaled 4,908,455 tons, a decrease of 20 tons from July 31. Final decree dismissing U. S. suit against corporation filed in N. J. U. S. Dist. Court.

Virginia-Carolina Chemical.—BUILDING more cotton warehouses. President Morgan says indications for fall fertilizer trade are promising.

Westinghouse Electric.—WALL street hears dividend rate will be raised from 4% to 6% basis at next directors' meeting.

Westfield Manufacturing Company.—MAY EMBARK upon manufacture of war munitions. Has sold $400,000 6% debentures and $400,000 7% preferred stock to banking interests.

Willys-Overland.—AVERAGE daily shipment of cars in August close to 500 mark. Has orders on hand for 23,000 cars. From January 1 to August 20 company exported 4,006 cars, an increase of 200% over same period last year.

Railroads

Bangor & Aroostook.—FISCAL YEAR ended June 30 shows earnings after fixed charges of $226,490 against $205,268 the year previous.

Boston & Maine.—JULY SHOWS SURPLUS earnings after charges of $301,207 compared with deficit of $161,327 a year ago. Holders of all but $400,000 of notes maturing September 2, have agreed to extend.

Chicago & Alton.—ANNUAL REPORT will show decrease in operating ratio from 85.8% to 77.7% and transportation cost ratio from 40% to 36%.

Canadian Pacific.—ANNUAL REPORT for year ended June 30 shows 11.35% on common stock against 13.66% for previous year.

Chesapeake & Ohio.—UNDER TERMS of $33,000,000 note sale of 1914, company must set aside $3,000,000 for additions and betterment this year. Officials well satisfied with traffic outlook. No let-up in "war traffic" and grain shipments.

Delaware & Hudson.—STOCKHOLDERS will be asked to authorize issue of $14,451,000 5% 20-year bonds, convertible into stock for 10 years beginning October 1, 1917, on basis of $1,500 face value of bonds for 10 shares. Proceeds to be used to pay $13,937,000 4% bonds maturing next June.

Denver & Rio Grande.—YEAR ended June 30 last shows 2.84% earned on preferred against 2.81% in previous year.

Erie.—NET EARNINGS from January 1 to August 21 totaled $9,373,000 against $8,005,000 for same period last year. This year's gross is about $600,000 behind banner year.

International Mercantile Marine. — RECEIVER FRANKLIN refuses to bring suit for $10,000,000 against directors on behalf of minority stockholders on ground of alleged negligence. Individual stockholders may bring action.

Missouri, Kansas & Texas.—HOLDER of $224,000 of unextended 5% notes has sued in Massachusetts Superior Court for payment.

Minneapolis & St. Louis.—OFFICIALS estimate current year which began July 1, will show an increase of $850,000 gross, due to grain movement. Negotiations for sale of property to Canadian road have been temporarily abandoned.

Missouri Pacific.—CIRCUIT COURT directed receiver to take no action looking to payment of interest due September 1, upon company's bonds. No plan has been proposed which does not provide for payment of $25,000,000 6% notes in cash. New Haven earnings in July showed gross of $6,247,000 against $5,755,633 for July, 1914, and net of $2,194,260 against $1,561,625. Surplus was $746,492 against $357,632 a year previous.

New York Central.—SEVEN MONTHS' returns show increase of $3,223,000 in gross and gain of $7,976,000 or more than 54% in net earnings. May show larger dividend balance this year than for many years past.

Norfolk & Western.—JULY GROSS increased $717,608 over previous July and net gained $554,000, or nearly 70%. Earning at rate of over 10% on common.

Pennsylvania.—EVERY FREIGHT CAR on systems east and west of Pittsburgh, is in operation. Officials expect last four months of 1915 to show largest freight earnings in company's history.

Reading.—PHILADELPHIA & READING'S gross earnings in eleven months of

last fiscal year totaled $43,404,762, a decrease of $3,178,682 and surplus totaled $4,873,569, a decrease of $1,084,045 from previous year.

Rock Island.—GROSS DECREASED $900,000 in three months ended August 31 due in part to heavy rains, but current three months expected to show biggest business road has ever done.

St. Paul.—JULY GROSS SHOWED gain of $394,000 over previous July. Balance after interest for month totaled approximately $1,500,000. To earn 4% on common in the current fiscal year, dividend surplus will have to increase approximately $1,520,000 over last year.

Union Pacific.—NET AFTER TAXES for July totaled $2,849,317, an increase of $172,981 over July, 1914.

Wabash - Pittsburgh Terminal.—DISSENTING first mortgage bond holders representing $2,000,000 of $30,000,000 bonds outstanding are opposing reorganization plan of Wallace Committee.

Powder Companies

Du Pont Powder.—DECLARED regular dividend of 2% and an extra of 8% on common, besides regularly quarterly preferred dividend.

Hercules Powder.—DECLARED quarterly dividend of 2% and an extra of 4% on common.

Atlas Powder.—WILL share with employees some of extra profits for current year.

Investment Inquiries

NOTE.—Answers as published in this magazine are selected and condensed from the very large number of inquiries received from our readers. All such letters are answered by mail in advance of publication, hence stamped and self-addressed envelopes should accompany them. Subscribers' inquiries are given the preference in order of answering.

Various Railroads

F. M.—Kansas City Southern earns its preferred dividend with a fair margin and we believe is safe for some time. St. Paul did not earn its last dividend, and therefore the directors cut it down to a 4% basis. The traffic this Fall will determine whether the dividend will go down farther. This stock needs careful watching because of the uncertainties of the earnings. New York Central will earn somewhere around 7% for its stock in the present year; it is doing very well and any further cut in dividend is a distinct consideration, at any rate. Illinois Central has not done very well, but the crop situation is expected to put a very different face on railroad earnings this Fall. Southern Pacific barely earned its 6% dividend last year. Like Paul this needs watching. Pennsylvania and Atchison, as you know, are better than some first mortgage bonds because of their margins of safety and sustained earning power. Northern Pacific has barely earned its dividend also, but here again crop conditions will tell.

U. S. Steel

J. S.—U. S. Steel common seems to be about as high as it should go if we consider the fact that the dividend to be paid will probably be no more than 4%. Possibly, with the tremendous bullishness now in the whole market, it may go as high as 80 or over, but we think it is at a level where a holder would be justified in selling to repurchase somewhat lower. Of course if you wish to hold it for dividends that will be another matter.

American Chicle

W. R.—American Chicle stopped giving out public reports nearly two years ago which has left the stockholders in the dark. The fact that it pays a regular dividend on 12% and 6% as "extra" leaves it in a position where this extra could be cut off at any time. The refusal to give out statements can be interpreted unfavorably and doubtless this is what has occurred among stockholders who have sold, hence the relatively low price and inert condition of the stock.

The common stock is a business man's investment and that only. Our opinion is that the business of the company is not as good as it was in times gone by.

Continental Can-Tennessee Copper

G. H.—Continental Can and Tennessee Copper are looming large on the war order horizon. According to information given out, both are in for a big business with big profits; and the stocks are reflecting this in their price. Tennessee produces a little copper, but its war order business is in sulphuric acid, of which it sells a great deal. Continental Can makes tin cans and kindred products, and aside from somewhat stimulated orders in its regular product, is doubtless using its manufacturing facilities for working on war materials.

The same questions apply to these as apply to all of the booming war order stocks: How much actual extra business have the companies? Out of this how much real profits will they make, and after all this, how much will the stockholders get? The answers to these questions are very indefinite. Speculative activity seems to be giving the most optimistic answer to them all.

St. Paul and Louisville

M. P.—St. Paul and Louisville & Nashville both have done poorly over the past year and both have reduced dividends, but it is hoped the coming six months will work a change in the railroad earning situation all around. The next big rise in railroad stocks should lift these considerably, as they are now selling at relatively low prices.

Pittsburgh Coal

A. H.—This company has outstanding $32,000,000 common stock and $27,071,800 7% cumulative preferred. The dividends on the preferred have been very erratic for some years. It is now paying 5%. The common has paid nothing. In 1913 the surplus after preferred dividend was $1,372,679 and in 1914 it was $17,469.

The company has an accumulation of some 43% on the preferred stock in back dividends. From the character of its statements it would appear that they can pay some of this off. The controlling interest is generally supposed to rest with Mr. H. C. Frick and the business is a substantial concern. Nothing of value in the way of news can be learned from those interested in the company officially.

The ups and downs of the stock have been the result of recurrent rumors that some or all of the dividend would be paid up, but as to the exact action that will come about no one on the outside can get the least inkling.

With this mystery facing you, and the opportunity it offers for those on the inside of the company to take advantage of frequent moves in the stock, you can appreciate your position. If they should happen to pay this back dividend we might have another Bethlehem Steel incident in the market. If they pay only some or none at all the stock will zig zag back and forth as usual.

Notwithstanding this situation, however, we are of the opinion that both the common and preferred stocks of this company offer a good long pull opportunity. Study of the situation in this company reveals some very favorable aspects.

Reading

J. S.—Reading is a good stock, but it is a big question whether the company can keep up paying 8% indefinitely. The recent coal decision is bound to work some ill effects with the company. The stock is one of the market leaders. We look for a better market in the rails sooner or later. Reading is one of the most sensitive stocks on the list to all kinds of news because it is so popular a speculative leader.

Canadian Steel

W. W.—The broadening interest displayed in this security is undoubtedly justified by the knowledge that the plants of the company are running twenty-four hours a day on war orders received from the British Government. As an indication of the improvement in business conditions it is pointed out that the net earnings of the company last month totaled $400,000, as compared with monthly earnings of $50,000 earlier in the year. *The amount of business transacted for the first six months aggregated in the neighborhood of $6,000,000, but the business now booked assures an increase of from $7,000,000 to $9,000,000 for the last half of the year, and the probabilities are that the total business accomplishments for the entire year will aggregate close to $20,000,000.* An officer of the company states that the business now on hand assures earnings for this period of at least 15% with a possible total of 20%, and this despite the very poor results accomplished during the first quarter.

Denver & Rio Grande

J. F.—Denver & Rio Grande stock does not hold hopes of rapid appreciation. In a general upward movement of the railroads the stock may have a sympathetic advance, but the financial condition of the Denver is so bad, due to the drag on it of the Western Pacific, that it will be some time before dividends are resumed on the preferred and a much greater time before dividends are in sight for the common. It will be a very slow proposition.

Studebaker

G. S.—Studebaker Company is doing an immense business and is expected to show earnings close to 30% on its stock in the present fiscal year. It is doing both a good domestic and war business in automobiles, harness and vehicles. It ought to continue its good earnings for some time. Seven per cent. is spoken as the amount of the next dividend, although there is nothing official about this.

U. S. Rubber Preferred

C. S.—U. S. Rubber first preferred stock is a good investment. You need have no concern about it now. We would not say you can lay it away and forget it forever, but for the time being and apparently for some time to come it is a sound industrial investment.

MINING AND OIL DEPT.

Federal

Mining and Smelting

Silver-Lead Possibilities—New Mines to Prolong Company's Life

By C. S. BURTON

THE COEUR D'ALENE Mountains, of Idaho, have been a great treasure house; the region is one of the richest silver-lead territories in the world. The supremacy among the mining companies of the district has been divided between the Federal Mining & Smelting Company and the Bunker Hill & Sullivan Mining & Concentrating Company. The latter is the largest silver-lead producer in the world. It is conducted, practically, as a close corporation, and is controlled by the Bradley, Haggin, Mills interests, who also control the Treadwell properties on Douglas Island, in Alaska, and the Alaska Juneau, which is just across Gastineau Channel, on the mainland, opposite Douglas Island.

James Ben Ali Haggin and Darius Ogden Mills were for many years familiar figures around number 15 Broad street, New York, where Mr. Mills put up one of the first old fashioned nine-story skyscrapers and where both men had offices during their latter years. They have now been gathered to their fathers, but it is in no small part due to the good judgment that each used in their mining ventures that their fortunes and their names continue in the large place which they occupy in the financial world. For instance, Bunker Hill & Sullivan is a regular dividend payer of from three to four dollars per share annually, and has distributed in round numbers some $16,000,000 to stockholders. Considering that this mine was originally discovered by a prospector, working on a grub stake, whose burro uncovered the ore in restlessly pawing at his tether it must be held to be something of a development. One of the historic bits of mining litigation is that in which the owner of the burro finally secured his share of the profits resulting from the find described.

The Federal Mining & Smelting Company, which is second in importance as a lead producer to the Bunker Hill & Sullivan only, is an aggressive up-to-date organization, closely affiliated with the American Smelting & Refining, which is supposed to own, through the American Smelters Securities Company, a majority of the common stock. The American Smelting & Refining Company has a contract whereby it takes all of the ores. Silver-lead ores are a prime necessity to smelters handling ores that contain precious metals but no lead, the lead being used to collect the precious metals in the form of base bullion.

The formation of the Federal Mining & Smelting Company took place in 1903, the new company taking in the Wardner mine, the Mace, the Mammoth, the Tiger-Poorman, and the Morning & You Like. All of these were large producers and fully equipped, and their consolidation under one management was something of an undertaking.

Distribution of the stock of the new company was effected through the New York market, and in 1906 when all Eastern stock markets were making records both in price and volume, the common shares of the Federal Mining & Smelting Company sold at a record figure of $199; American Smelting & Refining common making during the same period a record high mark of $174. The Gug-

genheim inner organizations were then as they have been since, great believers in the future of metal industries. They had not then assumed a great place in the handling of copper, but they thought "Smelters" was one of the best things of which they knew and they accumulated the shares and in all probability, Federal, as well, all the way up during the big bull swing which culminated in the crash of 1907. They are said to have the "Smelters" yet, and to be very complacent now as to its ownership, but there is no broker in New York persuasive enough to induce the firm of M. Guggenheim's Sons to puy a share of stock to "bull" the market. There is any quantity of stock bought for account of the individuals, but it all goes into the strong boxes and nine times in ten it stays there indefinitely.

There was a great market in Federal when the issue was first put out, and it was the vehicle of a great deal of speculation. It is a far cry from the high figures just mentioned to the low price at which it sold in 1914 of $11 per share. Present market levels of $26 to $27 simply mark the possibilities in the production of lead and silver under existing conditions.

The lead situation is interesting from the angle of shareholder in the Federal because the American Smelting & Refining Company so completely dominates the lead market. The year 1914 was a record year, domestic output being 511,784 tons, of which the American Smelting & Refining Company turned out 316,591 pounds, a part of which came from Mexico, though Mexico was not much of a contributor owing to its internal turmoil. The production of the Federal was comparatively small for the year, being but 25,488 tons, against a high record production in 1906 of 63,029 tons. If under the influence of ruling high prices the Federal mines get back to an average around 50,000 tons of lead, they will be producing one-tenth of our entire domestic output. Incidentally it may be said that the United States turns out about 30 per cent. of the annual output of the world.

In its dividend record the Federal does not lag far behind the Bunker Hill; the preferred stock paid $1 on the fifteenth of the current month, and total disbursements to date will be a little over $15,000,000. The preferred issue is 7 per cent. cumulative, and there is now 5½ per cent. in back dividends accrued thereon, the total which has been paid amounting to 70 per cent., including the current declaration.

On the common stock, of which there is $6,000,000 outstanding, there has been paid a total of 47½ per cent.

The position, therefore, of Federal Mining & Smelting is that of unusual strength, so far as the marketing of its output is concerned. Through its affiliations with "Smelters" it is assured of a place beyond reach of competition. The real problem of the future for the company lies in its opportunity to acquire new mines on a satisfactory basis. There has recently come to be a greatly increased interest in the Coeur d'Alenes; some zinc properties have been re-opened and large and quick profits won. While this is a situation that brings about a great deal of exploratory work, it also makes it very hard to secure producing ground at any reasonable figure.

The Federal Company is adopting a policy of securing ground that is in the prospect class, and doing more development work, rather than to attempt to secure mines that show proven ore and which cannot be purchased on any investment basis that will show a reasonable margin of profit for the operator. It need hardly be said that if this policy can be successfully carried out, the resulting profits are apt to make past figures appear small by comparison.

The present mines of the company do not hold out promise of long life. The Morning, the best property among those owned, is a low grade mine, comparatively speaking, but shows a handsome profit in the present metal market. At the Wardner and the Mace, there has been a considerable tonnage of low grade ore, which is now being worked at a profit, due in part to the improved metal markets and in part also to the installation of flotation plants, which have been found to be very successful as applied to the ores of the district.

It will be very strange if 1915 does not

see a total output equal to twice that of 1914 for the Federal mines. It is a more difficult matter to make any estimate as to the average price which may be received for lead. In 1914 the average price received for lead was $4.10 per hundred. So far during the current year there have been all kinds of figures for lead. When a runaway market threatened and quotations were being made around 8 cents, it was the American Smelting & Refining Company that took the market in hand and kept prices down to a normal basis, but it is impossible to tell how much lead was sold at the top figures. It is assuredly safe to figure a much increased profit for the company from lead, larger tonnages and lower costs and higher prices will all make for this end.

Silver prices have been at record low figures, owing to the disturbance in the money market and the abnormal state of foreign exchange. There are those, however, who profess to see a strong probability that silver may come back and the world be forced once more to consider a bi-metallic standard as a matter of self protection against the toppling of the huge inverted pyramid of credit built upon the basis of the gold standard. If any such conditions should come about, and silver take even in part its old place as a money metal, silver producers turning out from one to three million ounces of white metal as does the Federal would enrich a lot of holders. While silver will not show any profit during the current year, it should not be far out of the way to estimate 40,000 tons of lead, which if sold at an average of $4.60 would show results much above those of the past year.

In conclusion it must be said, however, that the real problem before the management of the Federal Mining & Smelting Company is that of purchasing new properties.

Mining Digest

American Zinc.—EARNED $2,000,000 in eight months ended September 1. Expected company will earn at least $5,000,000 this year.

Arizona Commercial.—ENCOURAGING reports received regarding development of property.

Anaconda Copper.—EARNING at the rate of $8.50 per share on 18c. copper. Production at the rate of 275,000,000 lbs. annually. Expected common dividend will be placed on $4 basis this month.

Braden Copper.—PRODUCING at rate of 2,600,000 lbs. monthly at net cost between 8c. and 9c. a lb. First seven months this year show output of about 14,000,000 lbs.

Butte & Superior.—DECLARED regular quarterly dividend of 75c. and extra dividend of $5. Has paid $9.75 so far this year. August was biggest month in company's history, showing profits equal to $4.50 per share.

Copper Range.—FIRST HALF of this year showed net of $1,800,000 compared with $494,000 in 1914 and $490,000 in 1915. Resumption of dividends expected soon at rate probably not less than $3 per share.

Chile Copper.—FIRST SHIPMENT of 1,180,000 lbs. from Chile Co. received at Savannah.

Calumet & Arizona.—DECLARED quarter dividend of $1 a share, putting stock on 4% basis. Should produce 6,000,000 lbs. of copper this year at cost of 8.4c. a lb. Should earn $5,000,000 or more than $7.50 a share.

Chino Copper.—DECLARED quarterly dividend of 75c. a share, same as three months ago. Earnings estimated now running at rate of between $9 or $10 annually.

Calumet & Hecla.—DECLARED quarterly dividend of $15 per share, making total dividends so far this year $35. Since organization company has paid $127,750,000 in dividends.

Dome Mines.—ORE MILLED during August valued at $134,000. Co. has $1,000,000 in its treasury.

Davis-Daly.—ORE BODY encountered on 2,500-level believed to be long sought for Hesperus vein. Shipping about a car of ore daily and is breaking even.

East Butte Copper.—AUGUST OUTPUT 1,785,000 lbs. July profits about $125,000.

First National Copper.—HAS abandoned hope of treating its own ores and has made agreement with the U. S. Smelting & Refining Co. to handle output. U. S. interests have agreed to take ore in addition to 250 tons a day as fast as the company can increase production.

Granby.—HIGH RECORD production in July of 3,889,397 lbs. Earning at rate of $20 a share.

Greene-Cananea.—PRODUCTION FOR August totaled 2,902,000 lbs. of copper, 101,112 ounces of silver and 473 ounces of gold.

Goldfield Consolidated.—JULY NET $105,291 from treatment of 33,388 tons of ore.

Guggenheim Exploration.—DECLARED quarterly dividend of 4%. Will issue statement regarding distribution to shareholders of treasury holdings of Chino and Ray Con. Distribution will be called special dividend and will include cash payment.

Kennecott Copper.—NET earnings for quarter ended August 31 estimated at $3,250,000, or at rate of $13,000,000 per annum, equivalent to more than $18 per share not including 400,000 shares for bond conversion. President Birch reports property in excellent shape.

Lake Copper.—SHIPPING at rate of about 250 tons a day, representing refined output of about 200,000 lbs. a month.

Miami.—WILL EARN about $4 per share during 1915. Production expected to total close to 42,000,000 lbs.

Mohawk Mining.—PRODUCED 1,333,957 lbs. of copper in July.

Magma.—DECLARED initial dividend of 50c. placing stock on $2 basis. Production running at rate of 2,000,000 lbs. annually. August earnings were at rate of $1,100,000 or more than $4.50 per share per annum.

New Keystone Copper.—CAPITAL stock has been reduced from $3,000,000 to $39,797, par $1. Dividend declared of one share of Inspiration Consol. stock on each share of stock of new company.

Nevada Consolidated.—DECLARED regular quarterly dividend of 37½c. a share, making $1 paid in dividends this year. July production of 6,292,413 lbs.

Old Dominion Company of Maine.—DECLARED quarterly dividend of $1.50 per share, making $3 paid in dividends this year. Previous dividend was $1 a share.

Pittsburgh Coal Co.—PLAN for adjustment of capitalization and payment of back dividends on preferred has been completed. New Jersey Charter will be given up and a new one obtained in state where Co. operates.

Ray Consolidated.—DECLARED regular quarterly dividend of 37½c. a share, making total of 75c. paid this year. July output totaled 4,471,000 lbs. of copper.

Shannon Copper.—QUARTER ended June 30 shows net profits of $64,600. Four months ending with August show earnings equal to 70c. a share on stock.

St. Joseph Lead.—DECLARED quarterly dividend of 15c. a share, and extra dividend of 10c a share. Production this year estimated at close to 160,000,000 lbs.

Standard Silver Lead.—CLOSED contract for zinc output which officials believe will increase earnings from $20,000 to $30,000 monthly.

Tennessee Copper.—HAS CONCLUDED negotiations for sale of large amount of chemicals. Profits from this contract expected to show 50% on stock.

Utah Copper.—JULY OUTPUT 14,641,000 lbs.

Wolverine Copper.—DECLARED semi-annual dividend of $5 a share as against previous declaration of $4. Production running at rate of 7,000,000 lbs. a year and earnings at rate of better than $10 per share.

Yukon Gold.—DECLARED REGULAR quarterly dividend of 7½c. a share.

Oil Notes

Associated Oil.—Declared dividend of 2% and extra dividend of 1%. Six months ago dividend of 1½% paid.

California Petroleum.—Declared dividend of 1% on preferred stock..

General Petroleum.—Six months ended June 30 show total profits of $854,697, an increase of $415,059 over same period in 1914. Surplus before depreciation was $289,216 against deficit of $213,575 a year ago.

Illinois Pipe Line.—Western interests intimate earnings running at 25% rate and are expecting quarterly dividends at rate of 20% annually.

Mexican Petroleum.—Present output is about 30,000 bbls. daily. First shipments to points in New England have been made. National Railways of Mexico now taking good quantities of oil and Great Britain urgently demands oil.

Pierce Oil Corporation. — Net for six months to June 30 showed $514,317 against $412,000 a year ago, an improvement of 24%. Surplus earnings for the first half of 1915 were $159,000, or at rate of $1.75 per share. Second half year expected to show much larger earnings.

Standard Oil of New Jersey.—Book value of stock placed at $600 a share. Earnings so far this year have been running at rate of about 52% on $100,000,000 stock. Sale of company's pipe lines netted a large amount which may be distributed in form of an extra dividend before end of year.

The Standard Oil Company of California

Its Remarkable Expansion—Earning Power Prospects

By CHARLES H. PLATT

WHILE SURPASSED in point of total assets by one or two other former subsidiaries of the Standard Oil Company of New Jersey, the Standard Oil Company of California leads all in this group in the way it has grown since December, 1911, when the dissolution made it an independent corporation. In that time it has almost doubled its assets, with a total of $97,298,283 at the end of 1914 as compared with $48,938,435 at the end of 1911; its plant account has more than doubled in valuation, and its surplus has been almost tripled in the period. All of this has been accomplished in addition to the expenditure of millions of dollars from earnings in development and new construction, while liberal dividends have been paid.

The Standard Oil Company of California is one of the leading producing companies in the country and is second only to the Standard Oil Company of New Jersey in point of refinery output. It is engaged in transportation, both by pipe line on land and tank steamer by sea, and is also extensively engaged in marketing. Its export trade is carried to Asia, Oceania, South America, North America, and since the Panama Canal was completed, to Europe.

The company is the first former subsidiary of the S. O. of N. J. to raise its authorized capital stock to the same figure as that of the former parent company—$100,000,000. At the time of the dissolution, the company had $25,000,000 authorized and issued capital stock, with a later increase to $50,000,000, which was twice accompanied by subscription rights at par which raised the outstanding stock to a total of $49,686,655. When the outstanding stock under the $100,000,000 authorization is increased, it will be accompanied by a stock dividend, and possibly in addition subscription rights at par.

This corporation succeeded to the business of the Pacific Coast Oil Company, which had been established in 1879 and was bought by the Standard Oil Company of New Jersey. Its present title was taken in 1906.

The producing properties of the company are nearly all situated in the State of California. Their recent production has been at a rate of about 15,000,000 barrels a year, though less than 13,000,000 barrels were produced in 1914. Prior to 1913, the company never produced above 5,000,000 barrels of oil in any year, although many millions of dollars were spent in exploration work. The Murphy Oil Company, which was purchased by the company in 1913, is being developed and is expected to bring very large increase in production to its new owners.

The company's refining properties are among the largest and best equipped in the country. The refinery at Point Richmond, near San Francisco, is the largest in the world, having 65,000 to 70,000 barrels daily capacity. This was almost entirely rebuilt in 1912. The refineries at El Segunde and Bakersfield, Cal., were built in 1913, the former having 20,000 and the latter about 15,000 barrels daily capacity. The total refinery capacity of more than 100,000 barrels a day is exceeded only by the capacity of the Standard Oil Company of New Jersey. Besides these plants, on which nearly $15,000,000 has been spent in the last three or four years, the company owns many other manufacturing units, including a large plant for the manufacture of acids and a recently completed factory for turning out hydro-carbons for use in

high explosives and in dye materials.

The company's pipe lines operate from its own oil wells to its refineries, with a total of over 1,100 miles of pipes. They also connect with other pipe lines and other producing properties through which oil purchased from other quarters is piped to the refineries of the company. The pipe lines are operated as common carriers under a state law regulating such.

For its export trade, the company owns about 30 tank steamers of a total capacity close to 500,000 barrels. Several ships have been completed in the last year, and others are building. The export trade in the company's own ships goes to Pacific coast points in the United States, Alaska, the Western coast of Central and South America, Hawaii, India, Java, Japan, Australia, and in recent months through the Panama Canal to England. The main exports are illuminating oil and gasolene.

At nearly all the points it ships to, the company has large wholesale distributing stations, and at a number of Pacific stations it retails as well. It also markets in Oregon, Washington, Arizona and Nevada. In California the company has hundreds of stations for retailing oil, and when it is considered that these stations reach the greater majority of the 145,000 automobiles owned by the people of California in addition to the thousands which have been in the state during 1915, it can be seen what huge totals the gasolene sales of 1915 must be reaching. Every gallon of gasolene sold at the retail stations that comes from the company's refineries, is brought to them over its own pipe line routes and most of it, in the crude, comes from the company's own wells, so that every cent of profit in the different stages from the ground to ultimate consumer is kept by the company.

Besides all the above activities, others in which the company is engaged and which are doubtless profitable are in shipping California crude oil to South America and receiving back Peruvian crude; also in shipping asphaltum, the base of California oil, to Eastern points via the Panama Canal.

In 1914, nearly every oil company in the country showed a loss in its net earnings as compared with 1913, but this company had $12,771,398 net from operations, or $1,859,917 more than in the previous year. In view of the fact that this increase followed a sharp falling off in prices for oil and oil products during the year, and also came in spite of a serious interruption of export trade following the outbreak of the war and lasting until near the end of the year, it is evident that 1915's net will be even larger than last year. In the current year, export trade has boomed because of the new fields opened for this company by the Canal (many million gallons of gasolene have been sold to England, for instance). Competing companies in the Asiatic trade field have been more handicapped in many cases than has this company by war conditions, and so instead of losing trade in the Pacific fields, the company has actually made large gains. The thousands of visitors at the Fair in San Francisco from outside points have been the present cause of increase of oil consumption through the large numbers of automobiles brought with them, but they are directly contributing to many other causes of larger consumption of oil for industrial or pleasure use. The entrance of the company into the field of manufacturing benzol and other products for use in explosives and dyes, should prove extremely profitable in proportion to the capital outlay, as prices for these products are from 300 to 2,000 per cent. higher than they were before the war, and the cost of production for them has not increased to any material extent.

The earnings reports and balance sheet accompanying this article tell their own story too plainly to make comment necessary in detail.

The president of the company in the last annual report stated that the directors had under consideration a stock dividend from a portion of the unissued $50,000,000 of capital stock prior to the time the war started, but decided to postpone their action because of the uncertainties arising from the war. It is believed that when they do take up

action, if it comes in the next few months, it will be with either actual figures or reliable estimates for 1915 earnings and surplus before them. It is possible, if it should be found that above $15,000,000 surplus after dividends is shown for the year (and in view of the showing of 1913, with just as great an appreciation in the value of properties and larger net from operations possible for this year) there may be as much as 100 per cent. in new stock given shareholders as a dividend. If $15,000,000 were added to surplus this year, it would bring the total to above $55,000,000, which would more than cover such a dividend. What is more probable, however, is that a stock dividend of 25 per cent. will be declared at this time, and possibly later another stock dividend which will bring the full outstanding capital stock to near its total authorization. The company has previously given subscription rights at par, first to 80 per cent. of holdings, and later to 10 per cent. of holdings of that time. While such is not generally looked for, some of the new stock may be offered to shareholders for subscription.

Whenever the new stock is issued, the question of what will be the new dividend rate for it is certain to arise. The company has been paying dividends at the rate of 10 per cent. a year since the last quarter of 1912. Its earnings have been sufficient in 1913 and 1914 to have paid 10 per cent. dividends on a total of $100,000,000 outstanding stock. With the expansion in its trade which has been seen during 1915, with the outlook for even greater growth in the next few years owing to the industrial growth expected in the far West now that the Panama Canal is ready for traffic on a large scale, larger earnings are expected each year. So, as a whole, the outlook is for a continuation of a 10 per cent. annual dividend rate even if the outstanding capital stock is raised to $100,000,000. Furthermore, in this regard, the

The Income Account

	1914	1913	1912	1911
Net from operations	**$12,771,398**	**$10,911,481**	**$7,106,156**	**$3,141,625**
Depreciation	**2,713,061**	....	....	....
Appreciation prod. prop.	....	**8,474,659**	....	....
Net average dividends	**10,058,338**	**19,386,140**	**7,106,156**	**3,1[illegible]1,626**
Dividends	**4,856,098**	**4,493,399**	**1,123,349**	....
Year's surplus	**5,202,240**	**14,892,741**	**5,982,807**	**3,141,626**

It will be seen that in 1914, a year of depression in the oil industry, when most other oil companies showed large losses in net as compared with 1913, the Standard Oil Co. of California had larger net from operations than the year before by nearly $2,000,000. In 1914, its net from operations was more than four times as large as in 1911.

The Balance Sheet

ASSETS	1914	1913	1912	1911
Plants and properties	**$65,415,338**	**$50,268,456**	**$38,241,001**	**$30,334,424**
Other investments	**80,000**	**190,750**	**190,750**	**190,750**
Inventories	**25,550,918**	**21,724,390**	**19,246,014**	**14,585,285**
Unexp. ins., etc	**148,465**	**164,189**	....	....
Accounts receivable	**4,930,184**	**6,083,042**	**4,317,778**	**3,347,497**
Cash and coll. loans	**1,173,377**	**1,065,266**	**5,320,360**	**980,479**
Appreciation prod. prop.	....	**8,474,659**	....	....
Totals	**$97,298,283**	**$87,970,754**	**$67,315,903**	**$48,938,435**
LIABILITIES				
Capital stock	**$49,686,655**	**$45,183,993**	**$44,933,994**	**$25,000,000**
Capital stock premium account	**250,000**	**250,000**	....	....
Notes and accounts payable	**7,070,645**	**7,448,017**	**2,185,907**	**9,725,240**
Profit and loss surplus	**40,290,982**	**35,088,743**	**20,196,002**	**14,213,195**
Totals	**$97,298,283**	**$87,970,754**	**$67,315,903**	**$48,938,435**

Between the end of 1911 and the end of 1914, or three years' time, the company almost doubled its assets. Its plant and property account more than doubled in value in that time, while its surplus was almost tripled.

company has spent over $70,000,000 on its properties, of which the larger proportion has been in the last few years. While its huge field of activities will require continual outlay, nothing like what has been necessary in the last three years will be needed for new construction during the next few years unless the company goes into entirely new territory, which does not seem likely. As a result, there will be large sums which had formerly been deducted from income before figuring net which should appear in the net earnings from this year on.

The market movements of the stock during the period since it became an independent corporation are appended.

The recent high price for the stock has been 311. In 1914, before the coming of the war and the postponement of the expected stock dividend, the stock sold as high as 367 because of its dividend prospects. Since then, over $5,000,000 has been added to surplus, increasing the possibilities of size of the disbursement, so that if the stock was worth above 350 early in 1914, it ought to be worth that much now as it is believed that the stock dividend is not far away.

A close study of the income account and balance sheet over a period of years cannot but result in optimism among holders of the shares. If it only progresses in proportion in coming years as it has in the past three years, it will be one of the greatest corporations in the world in the course of a decade. Considering the fact that it markets throughout the Pacific Coast States, which are expected to show great industrial expansion in the immediate future, and considering the steady development of new markets, which its magnificent manufacturing establishments are equipped to supply, an even greater rate of expansion may be expected in the future.

Price Range for a Series of Years

	1912	1913	1914	1915 (to Sept. 10)
High	227	273	367	312
Low	110	163	240	270

Mining Inquiries

Wolverine

Wolverine is in much the same position. While selling well above last year's high point it is not nearly up to the record for the previous two years. The copper cost at this property is very low considering former years, and production is high. Earnings are gaining and there is a possibility that the dividend rate may be advanced this fall, notwithstanding the increase in it in February. Unless metal prices show an early improvement this possibility, however, is not likely to materialize, for Wolverine's gain in earnings is due to heavy sales of copper at the high prices prevailing some weeks ago.

Miami—Tennessee

G. F., Brooklyn.—The Miami is paying $3 per year and is earning $6. There should be in natural course of events either an increased dividend or an extra distribution around the close of the year.

Tennessee Copper pays $3 per year, and sells above Miami, presumably on the profit derived from its sulphuric acid plant, and its copper output is comparatively small and not by any means low in cost. There is not enough data available to furnish a basis for an estimate as to profits from sulphuric acid.

Mining Convertible Bonds

H. L. G., Bridgeton, N. J.—Inspiration Consolidated, Braden and Utah Copper Companies are all properties with proved ore bodies of very large tonnages. In each case, taking the most conservative basis of valuation, the total values of their ore bodies is greatly in excess of the par values of the bonds outstanding against them. For that reason they are of the best type of mining convertible bonds.

Kerr Lake—Yukon

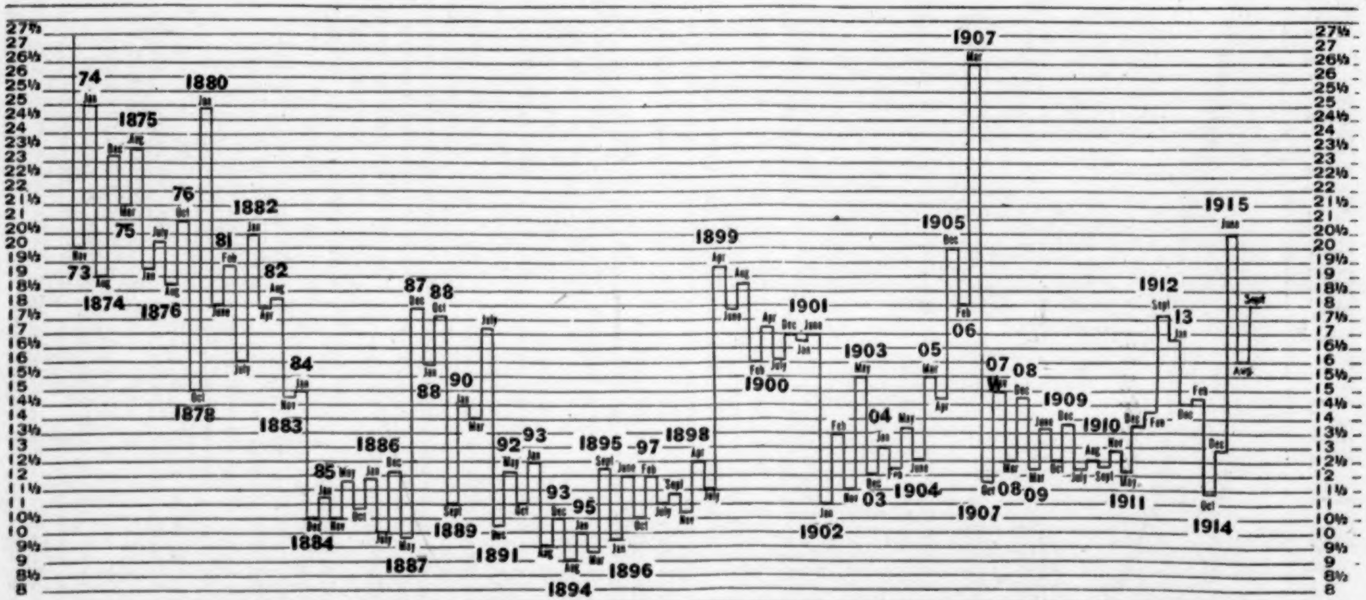
C. C., Chicago.—You cannot carry stocks of this character on margin legitimately. They should be bought outright.

Kerr Lake is not looked upon with any too great favor. The general impression is that it has no great amount of ore in reserve.

Stewart is in the same plight, only more so. Those who ought to know say that Stewart's profitable career is rapidly nearing its end.

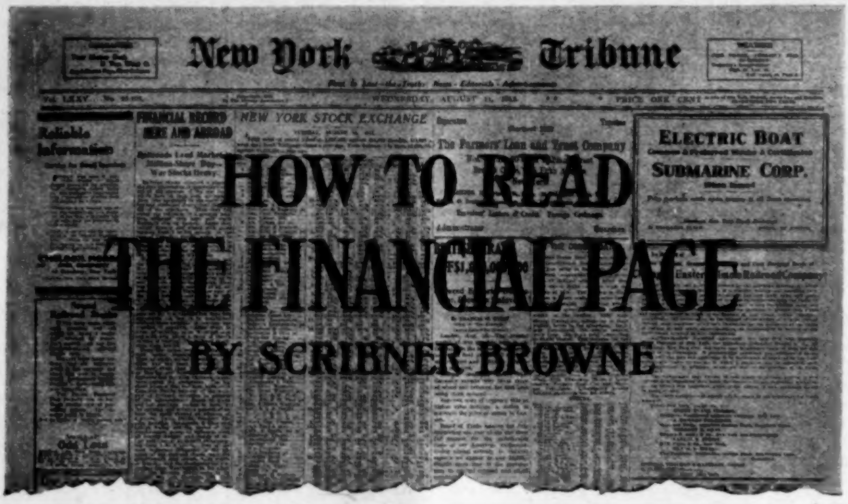
Yukon Gold ought to be all right, but we think the rest of your money would be better invested in Kennecott, Braden or Chili. In buying mining stocks choose those that are coming, rather than those that are going and let us repeat, do not buy on margin stocks that cannot be used as collateral at the banks.

COPPER PRICES FOR THIRTY YEARS



Note.—It is planned to run in each issue a chart similar to the above on leading stocks. In the last issue appeared a chart showing Reading movements from 1913 to date, and in the August 21 issue a chart showing movements of Colorado Fuel & Iron and Chicago, Milwaukee & St. Paul, and in the August 7 issue Reading and Republic Steel for the same period.

TRADERS' DEPARTMENT



Part III
Volume of Trade—The Stock Market Cycle

IN THE LAST ARTICLE I explained two brief and convenient methods of keeping track of the prices of any individual stocks in which the investor might be interested.

The reader of a financial page, however, soon begins to pay some attention to the general movements of the market as a whole. A great deal of the market comment that he reads treats the market as a whole and he soon sees that, while individual stocks often move independently, nevertheless the entire market has a *trend*.

In reading the financial page, therefore, the investor has really two objects in view: First, to form an intelligent opinion in regard to the value and future price movements of certain securities in which he is especially interested; and second, to get an idea of the general character and position of the market as a whole.

Taking up the second of these purposes, then, how is the investor to understand the market as a whole? How is he to get the necessary data to start with, and how is he to interpret this data after he gets it?

Daily Transactions

At first the reader of the financial page probably pays very little attention to the volume of trade for the day—that is, the total number of shares sold—unless it is very large or very small. A "million share day" attracts comment and is to a certain extent forced upon his notice. Also when transactions fall to a very low ebb, market writers are likely to mention the fact as of general interest. But so long as the daily transactions are about normal, little is said about them and the average reader does not notice them.

As the investor becomes more familiar with the market, however, he begins to see that there is a connection between the volume of trade and the character of the market. Perhaps he notes that the big volumes usually come when prices are either high or low—toward the close of a bull market or in a panicky decline of prices—and he comes to lay more and more stress on this item as an indication of speculative conditions.

There are three sources from which information may be obtained that will

help the investor in gauging the speculative temper of the market:

1. Financial news and comment, which I discussed in the first article.
2. Average prices of a list of selected stocks.
3. Total volume of transactions from day to day.

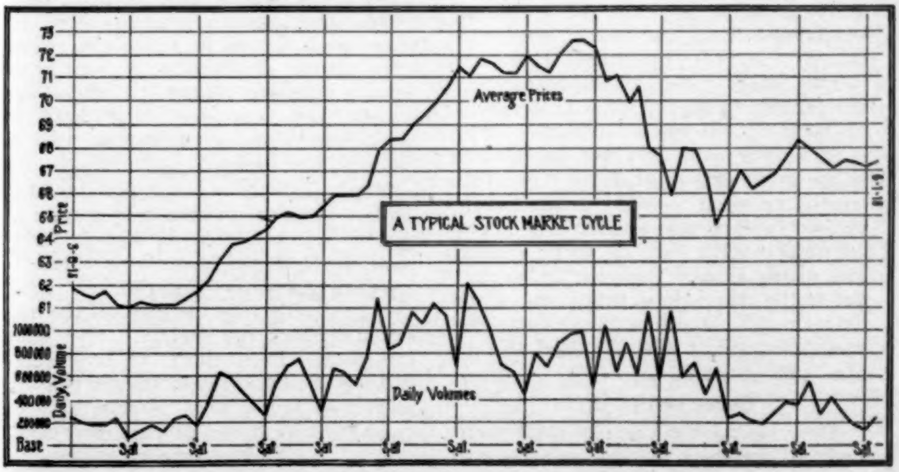
To get the most benefit out of the last two of these three sources of information, it is desirable to keep some sort of record so that one day may be compared with another, or one week or month with another. True, the investor can depend on his memory for this record, and the majority, doubtless, do so. But exact information is always better than inexact, and it is really very little trouble to keep a graphic showing the general movement of prices and the total transactions each day.

The comments which I am about to make will be equally useful whether the investor puts these figures into graphic form or depends on his memory as to past market conditions, but it is necessary to use the graphic here as a means of illustration.

The Stock Market Cycle

I have selected the period from March 8, 1915, to June 1, because it gives us the whole of a *typical stock market cycle.* Beginning with a period of low prices, small transactions and very slight fluctuations, the market begins to feel the effect of bullish conditions as they develop. From this point of extreme quiet, prices begin to rise and volumes to increase. The advance continues for about a month in this instance—though there is, of course, no regularity about the length of time covered—then ensues a period of minor fluctuations without any substantial further gain in the general price level, during which transactions continue relatively large. Next comes a decline, with large transactions toward the bottom, after which the market again settles down into a condition of quiet, with small transactions and only minor price movements.

This entire movement forms a speculative cycle. It is not always as regular as that here shown. The upward movement is frequently interrupted by considerable reactions; the period of fluctuation at a high level is often longer than in this instance; the downward swing often requires a longer time, shows more irregularity, and includes some periods of dulness. Under generally bullish conditions the upward "leg" of the movement will be longer than the downward "leg," while under bearish conditions the reverse will be the case. But with all these minor variations, the history of the stock market from year to year is the history of endless repetitions of these cycles, no two of them alike, yet all having the same general characteristics.



The average prices here used are those of fifty stocks, twenty-five rails and twenty-five industrials, compiled by a New York daily. Any other good average would of course answer equally well. It is an advantage under some conditions to plot two averages, one of rails and another of industrials, one above the other. I have presented the graphic here in its simplest form.

The daily volumes may be taken from any newspaper. Saturdays are marked "S" on the diagram because the Saturday session of the stock market is only two hours long, instead of five as on other days, and the volume of trade is therefore necessarily smaller—not more than half other days, as a rule.

Such a graphic as this will be of considerable help to any investor. For example, if he is considering the purchase of some security, he will ordinarly do better to buy *after an active, declining market seems to have come to a standstill,* rather than during a period of great activity following an advance in the general level of prices. Another good time to buy is *when prices begin to rise after a period of dullness,* such as is shown at the beginning of the graphic.

Likewise, if the investor is thinking of selling some of his holdings he will do well to wait *until a period of activity and rising prices seems to have come to a halt.* The extent of the rise will depend on investment conditions. There is not, in my opinion, any way of estimating beforehand from any such graphic as this the extent of the probable advance.

The reader must not suppose that I am presenting this graphic as a method of "picking" the top or bottom. This it most emphatically will not do, because of the great variety of minor movements which are often included in the general cycle. In fact, the graphic will not do anything except help to form a rough idea of the general character of the market at the time. It is simply one of the useful tools of the investment trade. All such illustrations must be used as servants, not as masters.

Cause of the Cycle

The reasons for the perpetual recurrence of the stock market cycle are easily understood. The buyers and sellers of stocks are of two classes: (1) Those who buy a stock because they consider it cheap and sell because they think it high enough, or perhaps too high; and (2) Those who do not care whether the price is high or low but are endeavoring to catch the next movement, whichever way it may be. Roughly speaking, we might call Class One, investors, and Class Two, speculators, although it is evident that those terms are not completely or accurately descriptive.

During a rising market, speculators keep buying in the hope of a further advance, while their demands are filled by investors who, one after another, conclude that the stocks they hold are high enough and therefore sell out. Thus the quantity of stocks being carried by speculators is constantly increasing as prices rise. Eventually the supply of stocks available for speculators becomes great enough so that they are not obliged to bid prices up any higher in order to get all they want. Then the market comes to a standstill.

All the speculators have bought in the hope of selling to some one else at higher prices. When the higher prices do not come, after a reasonable period, speculators begin to get tired of carrying their stocks and to sell out at about the same prices they paid, and a little later at even lower prices.

Once the market gets started downward, other speculators—or often the same ones—begin to sell short, which helps on the decline. And there is always a stubborn remnant of those who bought near the top, that hold on throughout most of the decline, only to become discouraged and dump over holdings just when purchases should be made. Thus prices keep falling until investors are attracted in again. How soon this is depends on conditions.

When investors begin to buy again, they gradually take the load off the market and check the decline. Then there are usually some shorts to be covered, causing a sharp rally, after which the market is pretty well "evened up" and ready to repeat the process over again.

(*To be continued.*)

Technical and Miscellaneous Inquiries

Trading in Low-Priced Rails

Have you ever treated the subject of speculation for the small 10 and 20-share trader? There is a plan, I believe, which has had some success in a moderate way, of buying 10 to 20 shares of the low-priced and medium rails outright for cash, and holding them for 3 to 5 points rise; if the market goes down, stop loss them at 2 points decline, and buy in again at or near what your judgment tells you is the bottom.

Do you think this plan is practical?

If you have treated this subject I would be glad to remit for a copy of the periodical containing it, or if you know of any book on it, I would like to get it.—B. W.

"Investing for Profit"—price $1.06 postpaid—contains much valuable information along this line, and it would undoubtedly pay you to read it. You should also study "The Business of Trading in Stocks"—price $2.06 postpaid.

The plan is a practical one. It would require you to keep records of the market, so as to watch the position of the stocks in which you are interested. Scribner Browne's series of articles now running in the MAGAZINE OF WALL STREET will help you.

Contradictory Instructions

F. G.—Your instructions to your broker seem to have been contradictory. According to your letter, you told him to buy Republic Railway & Light preferred at 52½, and you also told him to keep your bid about midway between bid and asked quotations. Manifestly he could not do both of these things. This explains his making the purchase at 52½, as soon as the market permitted, since this was the most definite of your two orders.

It is desirable to place orders with your broker in such a clear and definite manner that no mistake is possible, unless by the negligence of the broker.

Intermediate Swings

D. L.—By "intermediate swing" we mean a temporary downward movement.

For example, a broad upward movement may cover a period of one or more years, but such a movement will always include a number of temporary downward swings, some of which may be of considerable extent. These we call "intermediate swings."

Oil Stocks on Margin

Are the Standard Oil shares carried on a margin by Stock Exchange members?—A. W.

As a rule, Stock Exchange houses do not carry securities on margin which are not listed on the Stock Exchange, but in the case of high class stocks of the Standard Oil variety, you should have no difficulty in arranging with your broker to carry them for you on margin, though he will probably want a much larger margin than in the case of listed securities.

Commissions of Curb Stocks

W. H.—There is some variation in regard to commissions charged on low priced stocks traded in on the New York Curb.

We think the usual commissions are about as follows:

Stocks selling under 25 cents a share—commission 50 cents per 100 shares.

Stocks selling 25 cents to $1 a share—commission 2 per cent.

Stocks selling $1 to $3 a share—commission $3.12 per 100 shares.

Stocks selling $3 to $5 a share—commission $5 per 100 shares.

Stocks selling $5 to $10 a share—commission $6.25 per 100 shares.

Stocks selling $10 and up a share—commission $12.50 per 100 shares.

Buying Calls for Investment

I am a bull on Erie for the long pull. Would you recommend buying calls on it?—J. H.

The trouble with buying calls on Erie would be that it would be necessary to have them extend for a long period of time, in order to take advantage of such a long pull proposition, and such calls might be expensive. Privileges are often very useful in speculative operations, but in this case we doubt if they would be of any help to you.

An Erroneous Idea

Will you kindly advise me if there has ever appeared in your magazine any information relative to playing the market both ways at the same time with the use of stops? For example, using a very active stock and buying a quantity at a certain figure, putting a stop, say, three points below and selling the same quantity of the same stock putting a stop three points above. It is evident that if a serious break or a sudden rise occurred, which would carry your stock over three points in either direction, you would have a profit provided you were in a position to watch it and close out before a reaction. I suppose this is similar to a put and call trade and I should think it could be used with profit on the "War brides," so called. Kindly advise whether this method of operating has any advantages and if so where I can find information concerning same.—U. W.

This is an old idea, but a mistaken one. If you both buy and sell the same quantity of the same stock, your trades exactly balance each other, and therefore you are practically out of the market, except that you have two commissions to pay, with taxes and interest on your long stock. Your plan would be equiva-

lent to placing an order to buy your stocks on stop three points above the market or to sell on stop three points below the market. If you want to operate in this way, that is how your orders should be placed, as this would give you exactly the same results without commission, tax or interest, until one of the stops was reached.

What Is Meant By "Ex-Dividend"

QUESTION:—Will you please explain what it means for a stock to be marked ex-dividend? Also how it affects a person relative to the market—as to whether long or short? How long a period before a dividend is declared does a stock sell ex-dividend?—H. N.

The Answer

WHEN a dividend is declared on any stock, the owner of the stock is, of course, entitled to the dividend, but since stocks are constantly being bought and sold it is necessary to provide for their changing hands; therefore the company specifies the exact date on which the amount of the dividend is to be included in any stocks sold, while after that date the seller of the stock retains the dividend and sells the stock "ex-dividend."

This date is when the "books close" for transfers which include the dividend. After the date the books are closed, transfers do not include the last dividend. Also many corporations do not close their books, but simply pay the dividend to holders of record on a specified date, which amounts to about the same thing.

The result of this method is that the price at which the stock is sold before the date when the books close includes the value of the last dividend, while the price after that date does not include the dividend—or in other words is "ex-dividend." Hence it is necessary, in recording the quotations on a stock from day to day, to note the date when the amount of the dividend is taken off the price of the stock.

Checks for the dividend are not sent out on the date the books close. It takes the clerical force of the corporation some little time to make out all these checks. Therefore, when the dividend is declared the date of payment of the dividend is announced, as well as the date when the books close; for example, "books close August 20; payable September 3."

The investor who is long of stock when the books close receives the dividend check if the stock certificate is registered in his name on the company's books. If he is long of the stock through a broker, the check comes to the broker and he credits the customer with the amount of the dividend when the check is received—which, it must be borne in mind, is later than the date when the stock sells "ex-dividend."

Sometimes a customer may close his account with a broker after the stock sells ex-dividend, but before the broker has received the dividend check and the customer may be surprised that the broker has not credited the dividend on account. This is a frequent cause of confusion when the customer does not thoroughly understand the system. When the account has been closed before the dividend check reaches the broker, the broker forwards the amount of the dividend to the customer as soon as he gets it from the company.

If the customer is short of the stock when the books close, he is charged with the amount of the dividend. Novices sometimes fail to see the justice of this. A moment's thought will show that the customer who is short has sold the stock to somebody who is long, and who must therefore receive his dividend, and the only source from which that dividend could possibly come is the man who sold the stock short. Hence the long trader is credited with the dividend and the short trader is charged with the same amount.

Are Wheat Fundamentals Bullish?

By P. S. KRECKER

WHEN JAMES J. HILL, dean of the railroad profession, predicted some months ago that wheat then worth $1.65 would sell at 70 cents a bushel this season, he was believed by most traders to be suffering from a mild form of insanity. Yet we have recently seen the December option sell as low as 89½ cents in Chicago, or practically half the price wheat commanded when the bull movement of last spring reached its climax, and the market has not really begun to feel the full weight of the new crop. Probably the price would have declined more approximately to the figure predicted by Mr. Hill but for the untoward climatic developments which have held back the winter wheat movement in an unparalleled manner.

The result has been to create a condition of artificial strength in the market. The situation is peculiar. It is a literal realization of the idea embodied in the old Greek fable of Tantalus. There is a famine in the midst of unprecedented plenty. Briefly the circumstances are these: There are, according to government figures, some 981,000,000 bushels of wheat from the new crops in this country, or 90,000,000 bushels more than last year. Of this huge harvest about 10,000,000 bushels are immediately available. The other 971,000,000 bushels are still on the farms and cannot be delivered on contract. That discrepancy between the actual and the visible supply of wheat is what has sent cash wheat to high premiums and has put September contracts far out of line with later futures. September shorts who had looked forward to a heavy movement by this time and had expected to see the market break badly under the weight of actual wheat, are experiencing the greatest difficulty in finding wheat for delivery and are compelled to buy in their contracts. There is reason to believe September will continue to increase its premium over later options at least as long and to the same degree as cash wheat goes to a premium, for September is the cash month.

It is important for traders in wheat futures to bear these circumstances in mind because of what may happen after September goes out. There have been advances in later options, and no doubt there has been considerable speculative buying of them to share the profits of the rise. Now the strength of December and May are chiefly in sympathy with the sharp rise in September; the causes which have sent September to a premium do not apply to later months.

The upward movement, in other words, is due to technical causes and has nothing to do with ultimate questions of world's supply and demand. As it may prove temporary and may be followed by a collapse of values after September expires, traders should be prepared for a quick retreat from the bull side.

The only salvation of the wheat bull would appear to lie in the chance that, after the September artificiality disappears and the crop movement begins in earnest, some developments may materialize which will bring other bullish forces into play. It is a favorite policy of bulls to buy on a weak market, taking a gamble that something will turn

up to convert a bearish situation into a strongly bullish one, and it is surprising how often this theory works well. What bulls are hoping and praying for just now, is resumption of exports in volume commensurate with supposed needs. European buying is disappointing. Persuaded that there will be an abundance of wheat upon which to draw when real need arises, Europe is more interested now in restoring the equilibrium of the international money markets than in food supplies.

In this attitude the Allied Powers are acting with common sense because unless the exchange markets can be stabilized exporters of wheat are going to experience great difficulty in financing the shipments. That is why the wheat trade is deeply and intimately interested in the mission of the foreign commission which is here conferring on the international financial problem. The plan of the foreign financiers is understood to contemplate creation of a huge credit in the United States, out of which to pay for supplies including wheat. This credit, it is believed, will be established through the flotation of a loan against which will be pledged American securities now held in European countries, chiefly Great Britain. To gain possession of these securities the foreign governments will give holders in exchange government bonds of the various nationalities. In this way satisfactory security will be given to American lenders and yet enormous liquidation of European holdings of American stocks and bonds will be avoided. With these plans carried into execution one of the immediate obstacles to resumption of normal exports of wheat will be removed and a larger demand from Europe should arise immediately.

This prospective European demand has been the mainstay of the bulls all through the trying times that they have experienced of late, and they still count upon it confidently. But there are various reasons in addition to the disruption of the international money markets why foreigners have been slow to purchase wheat. Great Britain is counting upon the huge surplus which Canada has produced and soon will be ready to export.

Then, too, both Great Britain and France are expecting the Dardanelles to yield to allied pressure and open, releasing the wheat surplus of Russia. The latter supply is much more chimerical than that of Canada. The Dominion's wheat will be able to move; but the Dardanelles have not yet been forced. To the Man in the Street it looks as if many more weary weeks will elapse before they succumb, if ever they do. In these circumstances the Allies who are counting upon Russian supplies may be unpleasantly deceived. Therefore, the future of the American wheat market is by no means as hopeless as pessimists would have us believe. But it would appear that any successful bull campaign is unlikely for the immediate future, and that longs will have to be contented with scalping profits instead of playing for big gains. Bears, on the other hand, have had things mostly their own way for some time and should be beware of extravagant ideas. The market has had a big shaking out and is likely to yield further only with great stubbornness.

EXACT information, intelligently digested and broadly viewed, is the principal requisite for success in investment.

Why Cotton Is Strong

By C. T. REVERE

A BULLISH POSITION was taken in the last review of cotton market conditions published in THE MAGAZINE OF WALL STREET in the issue of September 4, despite the fact that the market was already up 90 points from the low level of a week or so previous. It was pointed out that cotton could advance in the face of an unfavorable international situation, demoralized exchange and large accumulations of old supplies. Attention was called to the fact that the price was by no means high and that the market probably would meet with strong buying of a speculative and trade character on moderate declines.

These observations, while by no means making pretentions to prophecy, have been corroborated by the recent strength of the market. Prices have worked up about 150 points and there is evidence of broadening public interest. In a certain sense the recent advance has been largely speculative. The buying has been based on assumptions that may or may not be realized. Those who have operated aggressively on the long side have taken the view that the crop would be far short of requirements, even taking into consideration the big carry-over from last season. There have been many disturbing influences which would have taken the edge off the ordinary bull movement, notably the tension over our negotiations with Germany, an unsettled state of foreign exchange, and exceptionally favorable weather for the gathering and maturing of the crop.

Speculation in commodity markets, however, does not always move by rule and line, and the statistics on old crop supplies cannot be accepted at their full face value as a depressing influence. There has been enormous destruction of manufactured goods and depletion of mill waste, which ordinarily goes into certain cheap cotton fabrics. This mill waste has been used in the manufacture of smokeless powder.

The strongest influence, however, has been the revival of bullish sentiment, which has lapped up the supply of contracts in a manner that would discourage all but the staunchest bears. As a matter of fact, it is the scarcity of contracts after a period of liquidation and bear markets which made it easy for cotton to advance. This shows how the machinery of the contract market is capable of quickly taking advantage of a situation in a commodity market and giving ready emphasis to factors that would be very slowly recognized without the assistance of exchange operations.

The big spot firms have not been friendly to the advance. They perhaps are laying too much stress on the difficulties in the way of marketing the crop, although it seems quite certain that plenty of money will be available for financing it and there also appears to be some ground for the rumors that France and Great Britain stand ready to support the market in the event of a drastic break. Not much has been said about this feature for various reasons. The Lancashire spinner, for instance, would not welcome bullish interference on the part of the British Government, which meant increased profit to the Southern planter and a loss to himself. The fear of Southern agitation favoring an embargo on shipments of war munitions as a reprisal against a contraband declaration, however, probably outweighed the possibility of domestic criticism.

The chief incentive for public speculation is furnished by the unfavorable character of crop accounts. There is a deep-rooted belief that the new crop will not be in excess of 12,000,000 bales and may possibly fall considerably below this figure. Such a development would be easily within the range of probability should we have an early frost, for the crop is a late one.

In the Western belt extreme heat and drought have been followed by excessive rains, and the heavy precipitation caused enough damage to offset the benefits of moisture.

The situation in the Eastern belt is most ably summed up in a letter issued by an Alabama spot firm, which is quoted herewith:

"We have recently had occasion to make some personal observations of the crop, and we must confess that we found it considerably less promising than we had previously expected. We were very much surprised to see that the plant does not appear to have responded to the favorable weather, as it should have done, and the only reason we can assign for this is the lack of use of fertilizer. Moreover, from the present condition of the plant we do not think there is any chance of any top crop being produced. The plant is entirely devoid of new fruit and the frost date this year will be of no effect."

If the crop proves to be 12,000,000 bales or less, the anticipation of such a shortage compared with 17,000,000 bales last season will be sufficient to arouse strong bullish speculation. Reactions may occur under the weight of hedge sales, but it will be difficult to convince the rank and file of cotton operators that higher prices are not justified and commitments will be made on that basis.

Graphic of Combined Average Prices

The graphic shown below is particularly valuable as a guide to the present position of the market as shown by the average prices of 50 leading railroad and industrial stocks. The heavy black marks indicate the high and low points touched by months. This chart should appear in every other issue.